

# Public Document Pack



MEETING: AUDIT AND GOVERNANCE COMMITTEE  
DATE: Wednesday 23rd June, 2021  
TIME: 3.00 pm  
VENUE: The Ballroom - Bootle Town Hall, Trinity Road, Bootle, L20 7AE

## Member

Councillor Robinson (Chair)  
Councillor Roche (Vice-Chair)  
Councillor d'Albuquerque  
Councillor Dowd  
Councillor McGinnity  
Councillor John Joseph Kelly  
Councillor Pugh  
Councillor John Sayers  
Councillor Shaw  
Councillor Sir Ron Watson

## Substitute

Councillor Bradshaw  
Vacancy  
Councillor Riley  
Councillor Murphy  
Councillor Yvonne Sayers  
Councillor Spencer  
Councillor Lewis  
Councillor Sonya Kelly  
Councillor Evans  
Councillor Prendergast

COMMITTEE OFFICER: Ruth Appleby  
Democratic Services Officer  
Telephone: 0151 934 2181  
E-mail: [ruth.appleby@sefton.gov.uk](mailto:ruth.appleby@sefton.gov.uk)

**If you have any special needs that may require arrangements to facilitate your attendance at this meeting, please contact the Committee Officer named above, who will endeavour to assist.**

We endeavour to provide a reasonable number of full agendas, including reports at the meeting. If you wish to ensure that you have a copy to refer to at the meeting, please can you print off your own copy of the agenda pack prior to the meeting.

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# AGENDA

## 1. Apologies for absence

## 2. Declarations of Interest

Members are requested at a meeting where a disclosable pecuniary interest or personal interest arises, which is not already included in their Register of Members' Interests, to declare any interests that relate to an item on the agenda.

Where a Member discloses a Disclosable Pecuniary Interest, he/she must withdraw from the meeting by switching their camera and microphone off during the whole consideration of any item of business in which he/she has an interest, except where he/she is permitted to remain as a result of a grant of a dispensation.

Where a Member discloses a personal interest he/she must seek advice from the Monitoring Officer or staff member representing the Monitoring Officer by 12 Noon the day before the meeting to determine whether the Member should withdraw from the meeting, during the whole consideration of any item of business in which he/she has an interest or whether the Member can remain in the meeting, or remain in the meeting and vote on the relevant decision.

## 3. Minutes of the meeting held on 17 March 2021 (Pages 5 - 14)

## 4. Reports submitted by Ernst and Young (EY) External Auditors

### a) EY Certification of Claims and Returns Annual Report 2019-2020 (Pages 15 - 26)

Report of the Executive Director of Corporate Resources and Customer Services

### b) EY Annual Audit Letter for the Year ended 31 March 2020 (Pages 27 - 62)

Report of the Executive Director of Corporate Resources and Customer Services

### c) EY - 2020/2021 Auditor Work on Value for Money (VFM) Arrangements (Pages 63 - 76)

Report of the Executive Director of Corporate Resources and Customer Services

- d) **EY - Sustainability of Local Authority Financial Reporting and External Audit in England - The Sir Tony Redmond Independent Review** (Pages 77 - 88)

Report of the Executive Director of Corporate Resources and Customer Services

5. **Amendments to Motions at Full Council** (Pages 89 - 94)

Report of the Executive Director of Corporate Resources and Customer Services

6. **Corporate Risk Management** (Pages 95 - 124)

Report of the Executive Director of Corporate Resources and Customer Services

7. **Risk and Audit Service Performance** (Pages 125 - 168)

Report of the Executive Director of Corporate Resources and Customer Services

8. **Items submitted by Members in accordance with Rules 115 and 116 of Chapter 4 of the Constitution**

Consideration of Elected Members' reports submitted in accordance with Rules 115 and 116 of Chapter 4 of the Constitution:

Rule 115 - Committee Members may, by giving written notice to the Chief Legal and Democratic Officer at least seven working days before the normal day for publication of agendas for a Committee meeting, submit an item for consideration at that meeting. Items submitted shall appear on the agenda as the last item for decision and in the case of information items under the title 'items submitted by Members'.

Rule 116 - A Member shall be limited to the submission of one such item per Committee meeting.

- a) **Bootle New Strand and Surrounding Area - Cllr Sir Ron Watson** (Pages 169 - 178)

Report of the Executive Director of Corporate Resources and Customer Services

**THIS SET OF MINUTES IS NOT SUBJECT TO "CALL-IN"**

## **AUDIT AND GOVERNANCE COMMITTEE**

### **REMOTE MEETING 17 MARCH 2021**

**PRESENT:** Councillor Robinson (in the Chair)  
Councillor Roche (Vice-Chair)

Councillors Brennan; Cluskey; McGinnity, Pugh,  
John Sayers, Shaw and Sir Ron Watson

#### **22. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors O'Hanlon and Irving (Substitute for Councillor O'Hanlon).

#### **23. DECLARATIONS OF INTEREST**

No declarations of any disclosable pecuniary interests or personal interests were received.

#### **24. MINUTES OF THE MEETING HELD ON 16 DECEMBER 2020**

**RESOLVED:**

That the minutes of the meeting held on 16 December 2020 be confirmed as a correct record.

#### **25. STATEMENT OF ACCOUNTS 2019/2020**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services on the final audited Statement of Accounts 2019/20, including the Annual Governance Statement for consideration and approval. In addition, the proposed 'Letter of Representation' letter from Sefton Metropolitan Borough Council to the External Auditors - Ernst & Young LLP (EY), which was attached for approval.

The report indicated that there had been a delay in completing the audit for 2019/20, the deadline for publication having been 30 November 2020. However, the regulations allowed for a delay in publication where the audit had not yet been completed. The Audit was now complete and was presented to the Audit and Governance Committee, which had delegated authority to approve the Statement of Accounts for 2019/2020.

The Statement of Accounts 2019/20 provided information about the Authority's finances in respect of the cost of the Authority's services and what the Authority's assets and liabilities were at the end of the year.

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The report provided details of the Comprehensive Income and Expenditure Statement; the Movement in Reserves Statement, the Balance Sheet; Cash Flow Statement; Notes to the Financial Statements – Expenditure and Funding Analysis; Other Notes to the Financial Statements; the Collection Fund; Group Accounts; the Annual Governance Statement and the Report of the Independent External Auditors (Ernst and Young (EY) LLP).

The EY audit had focused on the following areas with no significant issues having been found:

- Risk of fraud in revenue and expenditure recognition;
- Misstatements due to fraud or error (management override of controls);
- Risk of error in valuation of pension fund assets and liabilities in the Local Government Pension Scheme; and,
- Valuation of land and buildings.

The Executive Director of Corporate Resources and Customer Services, the Service Manager Finance; the Corporate Finance Manager and a representative from Ernst and Young, presented the reports and answered a range of questions from the Committee on each of the key areas within the statement of accounts.

RESOLVED: That

- (1) the 2019/2020 Statement of Accounts be approved;
- (2) the Annual Governance Statement (Section 11 of the Statement of Accounts) be approved;
- (3) the comments of Ernst and Young LLP be noted; and
- (4) the Letter of Representation be approved and the Chair of the Committee and the Executive Director of Corporate Resources and Customer Services be authorised to sign it on the Council's behalf.

## **26. CORPORATE RISK MANAGEMENT**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services on the updated Corporate Risk Register, indicating that since the last meeting, the Corporate Risk Register had been reviewed and updated.

The Chief Internal Auditor (CIA) presented the report indicating that there had been no new risks which had been added or escalated from the Service Risk Registers to the Corporate Risk Register; that no risks had been de-escalated from the Corporate Risk Register to the Service Risk Registers; and the following two EU exit risks had been amalgamated into

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one risk - (i) failure to mitigate impacts of COVID-19, EU Exit, winter, austerity, on the Sefton economy; and (ii) Failure to mitigate risks of or develop and maximise opportunities from EU Exit. The risks had been re-scored in accordance with the revised assessment guidance included in the Corporate Risk Management handbook which had been approved by the Committee in December 2020.

The CIA reminded the Committee that at the Audit and Governance Committee held on 18 December 2019, it had been agreed that for future meetings, a short presentation would be made by a risk owner on one of the risks listed in the Corporate Risk Register. In this respect Ms Helen Spreadbury, Service Manager ICT and Digital had been invited to provide a presentation to the Committee on one of the risks listed in the Corporate Risk Register - Cyber Security. Accordingly, Ms Spreadbury gave a presentation to the Committee and answered questions thereon.

RESOLVED: That

- (1) the contents of the Corporate Risk Register, particularly the nature of the major risks facing the Council and the controls and planned action in place to mitigate these risks be noted;
- (2) the updated Corporate Risk Management Handbook be approved;
- (3) the planned work to formally define the Council's Risk Appetite and the further review of the Risk Management Handbook be noted; and
- (4) Ms Spreadbury be thanked for her informative presentation on the risk associated with Cyber Security and measures being put into place to reduce / remove the risk.

## **27. AUDIT AND GOVERNANCE TERMS OF REFERENCE**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services reviewing the current terms of reference for Audit and Governance Committee and recommending a revised terms of reference in order to comply with best practice as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Chief Legal and Democratic Officer (CLDO) presented the report, indicating that the changes, enclosed as Appendix 2 to the report, proposed that Sefton Council's Audit and Governance Committee adopt the model CIPFA Terms of Reference and included additional responsibilities that the Council's Audit and Governance Committee had, which were not included in the model Terms of Reference, including:

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- To consider the Council's arrangements for health and safety and receive regular assurances and assessments on the effectiveness of these arrangements.
- To consider write-offs of debt above £10,000.
- To have responsibility for all standards issues relating to the Council's Members' Code of Conduct
- To recommend changes to the Council's Constitution

The CLDO indicated that subject to approval of the Terms of Reference by Annual Council in May 2021 a proposed work plan would be submitted to the following meeting of the Audit and Governance Committee in June 2021, ensuring that through the delivery of the work plan all of the responsibilities of the Committee in the proposed Terms of Reference be discharged during the financial year.

The CLDO also advised of an amendment to Term of Reference No. 11 detailed in the report with the addition of the sentence – Annual Report to be provided – namely:

11 To monitor the following activities:

- Counter Fraud/ bribery strategy, actions and resources.  
**Annual report to be provided.**

The purpose of this addition being that to reflect good practice on fraud issued by CIPFA, the Committee should receive an annual report on the Council's Counter Fraud arrangements in addition to the quarterly updates provided as part of the Audit and Risk Performance Report.

RESOLVED:

That the revised terms of reference be recommended to Council for adoption.

## **28. MEMBERS' CODE OF CONDUCT**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services on proposals for a new Members' Code of Conduct.

The Chief Legal and Democratic Officer (CLDO) presented the report and indicated that the Local Government Association (LGA) had published a model Councillor Code of Conduct (the Model Code); that the Model Code, attached at Appendix A, was described by the LGA as 'designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government'; that guidance was expected to follow in April 2021; and the Model Councillor Code of Conduct was a template for local authorities to adopt in whole and/or with local amendments.

The report indicated that in accordance with the Council's statutory duty to promote and maintain standards of conduct members were asked to



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consider whether the new code should be adopted by the Council in its entirety or in part or to keep the current code. Code of Conduct training sessions would be held for all members and co-opted members in the new municipal year.

RESOLVED:

That Council be requested to approve the adoption of the new Member Code of Conduct set out in Appendix A to the report.

## **29. REVISIONS TO EMPLOYEE CODE OF CONDUCT**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services on proposals for revisions to the Employee Code of Conduct.

The report indicated that the draft revised Employee Code of Conduct was set out in Appendix A to the report and the recommended format for Service Area Registers detailed at Appendix B.

RESOLVED:

That Council be requested to approve the revised Employee Code of Conduct.

## **30. AMENDMENTS TO THE CONSTITUTION – HIGHWAYS; AND COUNTER TERRORISM AND SECURITY ACT**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services on proposals for amendments to the Constitution relating to Highways.

The Chief Legal and Democratic Officer (CLDO), presented the report that recommended amendments to the Council's Constitution to allow for the authority to enter into s38 and s278 Highways Act 1980 agreements and to make and amend Traffic Regulation Orders with regards to Disabled Parking Places outside people's homes, to be delegated to the Head of Highways and Public Protection.

The report indicated that it was considered more expedient and efficient for the Head of Highways and Public Protection to have delegated authority to enter into agreements under s38 and s278 Highways Act 1980 and the making and amending Traffic Regulation Orders with regards to Disabled Parking Places outside an individual's property

Also, to comply with the 2020 statutory guidance issued pursuant to the Counter Terrorism and Security Act 2015, the report also sought to amend the Council's Constitution to detail that the Council's responsibilities under the Counter Terrorism and Security Act 2015 to be the responsibility of the Cabinet Member - Communities and Housing.

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RESOLVED: That

- (1) Council be requested to approve amendment to the Constitution to allow for the authority to enter into agreements under s38 and s278 Highways Act 1980 and the making and amending Traffic Regulation Orders with regards to Disabled Parking Places outside an individual's property to be delegated to the Head of Highways and Public Protection; and
- (2) Council be requested to approve amendment to the Constitution to provide that the Council's responsibilities under the Counter Terrorism and Security Act 2015 be the responsibility of the Cabinet Member - Communities and Housing.

## **31. FINANCIAL MANAGEMENT CODE**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which provided an assessment of the Council's current compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management (FM) Code and identifying areas for improvement.

The Strategic Finance Manager presented the report, indicating that the Financial Management Code aimed at ensuring a high standard of financial management in local authorities.

RESOLVED: That

- (1) the introduction of the CIPFA FM Code and the self-assessment of compliance with the Code detailed in the Appendix to the report be noted; and
- (2) The action plan including recommended actions which have been identified and will be carried out to further improve both compliance with the Code and financial management across the authority be noted.

## **32. TREASURY MANAGEMENT POSITION TO JANUARY 2021**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services that provided a review of the Treasury Management activities undertaken to 31<sup>st</sup> January 2021.

This was the third report of the ongoing quarterly monitoring provided to Audit and Governance Committee whose role it was to carry out scrutiny of treasury management policies and practices.

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RESOLVED: That

- (1) the Treasury Management update to 31 January 2021 be noted; and
- (2) the effects of decisions taken in pursuit of the Treasury Management Strategy and the implications of changes resulting from regulatory, economic and market factors affecting the Council's treasury management activities, be noted.

## **33. RISK AND AUDIT PERFORMANCE REPORT**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which provided details of the performance and key activities of the Risk and Audit Service for the period 6 December 2020 to 6 March 2021.

The Chief Internal Auditor presented the report which provided an overview of the Internal Audit activity; the Health and Safety, Insurance, Assurance and Risk and Resilience work and developments undertaken during this period and looked ahead to forthcoming developments to be carried out by the Service; and revisions to the Annual Internal Audit plan set out in the Appendix to the report.

RESOLVED: That

- (1) the progress in the delivery of the 2020/21 Internal Audit Plans and the activity undertaken for the period 6 December 2020 6 March 2021 be noted;
- (2) the revisions in the Annual Internal Audit Plan set out in the Appendix to the report, be noted; and
- (3) the contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams in facilitating the management of the Council's key risks, be noted

## **34. INTERNAL AUDIT CHARTER AND INTERNAL AUDIT PLAN 2021/22**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services on the revised Internal Audit Charter and the proposed Internal Audit Plan 2021/2022, as set out in the Appendix to the report.

# Agenda Item 3

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 17TH MARCH, 2021

RESOLVED: That

- (1) the Internal Audit Charter be approved; and
- (2) the Internal Audit Plan 2021/2022 be approved.

## **35. PROPOSED CHANGES TO THE CONSTITUTION IN RELATION TO PLANNING COMMITTEE**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services proposing changes to the constitution in relation to the exercise of the Council's planning powers.

The Chief Planning Officer presented the report, indicating that the proposed changes related to two key areas, namely:

- (i) Clarification on what matters were delegated to Planning Committee to ensure that the more significant types of applications would be reported to Committee and those which were more routine would not be reported to Committee, thereby resulting in the more efficient management of Planning Services' workload as set out in Table 1 to the report and set out in the revised wording set out in Figure 1; and
- (ii) Minor changes in relation to the submission of petitions and the public speaking process as detailed in Section 3 of the report.

RESOLVED: That

- (1) Council be requested to approve the proposed changes to matters which are delegated to Planning Committee and matters which will not be determined by Planning Committee as set out in Table 1 and reflected in the revised wording set out in Figure 1; and
- (2) Council be requested to approve the proposed changes to the public speaking process as set out in section 3 of the report.

## **36. EXCLUSION OF PRESS AND PUBLIC**

RESOLVED:

That, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it would involve the likely disclosure of exempt information as defined in Paragraphs 3 and 7A of Part 1 of Schedule 12A to the Act. The Public Interest Test has been applied and favoured exclusion of the information from the press and public.

AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 17TH MARCH, 2021

## **37. WRITE-OFF OF IRRECOVERABLE DEBTS > £10,000**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services in relation to exempt information regarding Write-off of Irrecoverable Debts of over £10,000.

RESOLVED:

That the exempt information be considered as part of the public report in relation to this matter, Minute No: 39 refers.

## **38. RE-ADMIT PRESS AND PUBLIC**

RESOLVED:

That the press and public be re-admitted to the meeting.

## **39. WRITE OFF OF IRRECOVERABLE DEBTS > £10,000**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services regarding Write-off of Irrecoverable Debts of over £10,000.

The Revenues Manager presented the report, indicating that the report requested the authorisation of the Audit and Governance Committee to write-off the debts listed in Appendices 1 and 2 to the report. The debts detailed in the Appendices had all been assessed on an individual basis and all means of recovery had been exhausted. These debts were now considered to be irrecoverable and were recommended for write-off. Details of the recovery process were detailed in paragraph 2 of the report.

RESOLVED:

That the write-off of individual debts detailed in the appendices to the report totalling £643,883.41 be approved.

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# Agenda Item 4a

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 23 June 2021
<b>Subject:</b>	EY Certification of Claims and Returns Annual Report 2019-2020		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>			
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

To consider the attached EY Annual Report on the certification of claims and returns 2019-2020.

## Recommendation(s):

The Committee is requested to note the report.

## What will it cost and how will it be financed?

(A) Revenue Costs – N/A

(B) Capital Costs – N/A

## Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> N/A
<b>Legal Implications:</b> N/A

# Agenda Item 4a

<b>Equality Implications:</b> There are no equality implications	
<b>Climate Emergency Implications:</b>  The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

**Contribution to the Council’s Core Purpose:**

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Protect the most vulnerable: N/A
Facilitate confident and resilient communities: N/A
Commission, broker and provide core services: N/A
Place – leadership and influencer: N/A
Drivers of change and reform: N/A
Facilitate sustainable economic prosperity: N/A
Greater income for social investment: N/A
Cleaner Greener N/A

**What consultations have taken place on the proposals and when?**

**(A) Internal Consultations**

The Executive Director of Corporate Resources and Customer Services (FD.6431/21) and the Chief Legal and Democratic Officer (LD.4632/21.) have been consulted and any comments have been incorporated into the report.



**(B) External Consultations**

N/A

**Implementation Date for the Decision**

Immediately following the Audit and Governance Committee meeting.

<b>Contact Officer:</b>	Ruth Appleby
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Email Address:	ruth.appleby@sefton.gov.uk

**Appendix:**

Ernst and Young - Certification of Claims and Returns Annual Report 2010-20.

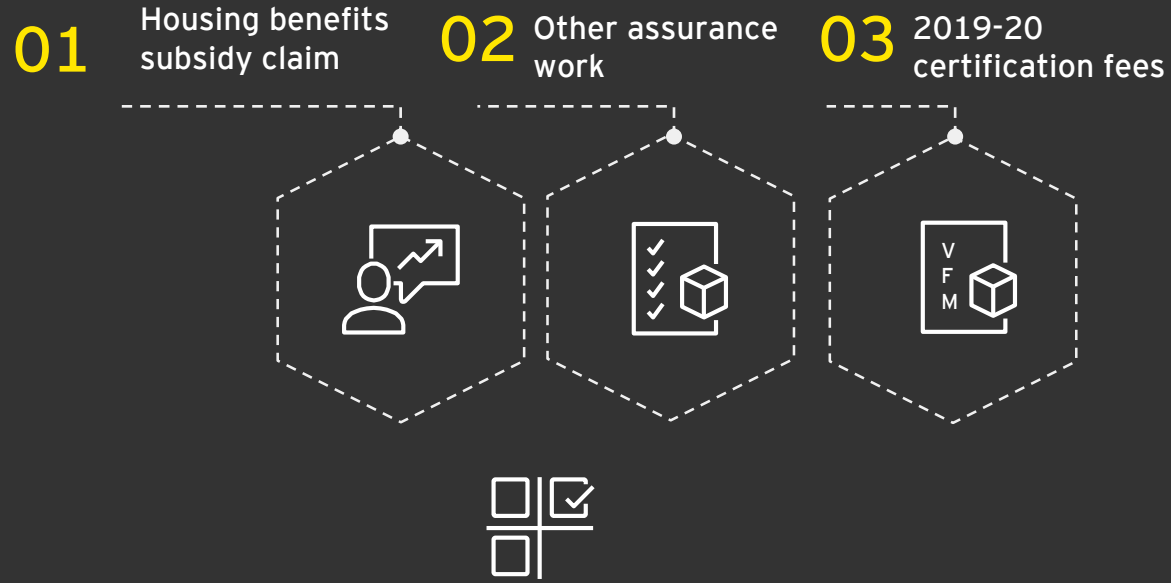
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# Certification of claims and returns annual report 2019-20

May 2021

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Public Sector Audit Appointments Ltd (PSAA) have issued the "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Audit Committee and management of Sefton Metropolitan Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Sefton Metropolitan Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, and management of Sefton Metropolitan Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

# Housing benefits subsidy claim



## Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£72,861,299
Amended/Not amended	Not amended
Qualification letter	Yes
Fee - 2019-20	£11,500
Fee - 2018-19	£11,500

### Findings in relation to 2019-20

We issued a qualification letter reporting that the initial testing identified one error relating to cell 12 of the claim form. No adjustments were made to the claim form for this matter. As the case has been corrected in the HB system, Northgate, for 2020/21 and there is no impact on expenditure made or claimed, no amendment has been made. There are 4 other cases in cell 12. This issue has not re-occurred.

In line with the guidance, we completed "40+" testing for areas in which errors had been identified in the prior year qualification letter. This testing resulted in no errors in the sub population sample tested, and we therefore did not include any extrapolations for the DWP to consider in relation to this matter. We therefore reported to DWP that we consider this matter to be resolved.

We also reported a factual finding that the software supplier (Northgate) provides software to support the reconciliation of benefit paid to benefit granted. Benefit granted in the claim form and benefit granted in the reconciliation differ by small amounts and the authority use a balancing figure of £21,284 to balance to the lower of the figures.

We had no other findings to report.



02

Other assurance work





## Other assurance work

In relation to the 2019-20 financial year, we also acted as reporting accountants in relation to the following schemes:

- ▶ Teachers Pensions End of Year Certificate (EOYC) reporting accountant certification.

We have provided a separate report to the Council and to Teachers Pensions Authority in relation to this return. This work has been undertaken outside the PSAA regime. The fees for this work are included in the figures in Section 3. It is referred to here to ensure Members have a full understanding of the various returns on which we provide assurance.

For Teachers Pensions we completed the required testing, the "agreed upon procedures" as set out by the funding body in the engagement letter.

We reported that one exception was identified. We identified that due to processing of maternity refunds, £65.47 had been refunded twice in error, and therefore resulted in a £65.57 deficit in employee contributions. Due to the nature of the exception and the fact that correction has been made in 2020/21, no adjustment has been made to the EOYC.

Other errors or exceptions were identified and we did not identify any significant issues from this work that need to be brought to the attention of Members.





03

2019-20 certification fees





## 2019-20 certification fees

The PSAA determined a scale fee each year for the certification of the housing benefits subsidy claim up to 2017-18. This arrangement ended with the certification of the 2017-18 certification. The Department for Work and Pensions (DWP) set new requirements from 2018-19 onwards with indicative fees based on the previous certified claim. The indicative fee for 2019-20 was set based on the prior year certification findings.

Claim or return	2019-20 Actual fee £	2019-20 Indicative fee £	2018-19 Actual fee £
Housing benefits subsidy claim	11,500	11,500	11,500
Teachers pensions grant claim	6,500	6,500	6,500
<b>TOTAL certification fees</b>	<b>18,000</b>	<b>18,000</b>	<b>18,000</b>

# Agenda Item 4b

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 23 June 2021
<b>Subject:</b>	EY Annual Audit Letter for the Year ended 31 March 2020		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Regulatory Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

To consider the EY Annual Audit letter for the year ended 31 March 2021

## Recommendation:

The Committee is requested to note the report.

## What will it cost and how will it be financed?

(A) Revenue Costs – N/A

(B) Capital Costs – N/A

## Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> N/A
<b>Legal Implications:</b> N/A
<b>Equality Implications:</b> There are no equality implications
<b>Climate Emergency Implications:</b>

# Agenda Item 4b

The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

## Contribution to the Council's Core Purpose:

Protect the most vulnerable: N/A
Facilitate confident and resilient communities: N/A
Commission, broker and provide core services: N/A
Place – leadership and influencer: N/A
Drivers of change and reform: N/A
Facilitate sustainable economic prosperity: N/A
Greater income for social investment: N/A
Cleaner Greener N/A

## What consultations have taken place on the proposals and when?

### (A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6433/21.) and the Chief Legal and Democratic Officer (LD.4634/21) have been consulted and any comments have been incorporated into the report.

**(B) External Consultations**

N/A

**Implementation Date for the Decision**

Immediately following the Audit and Governance Committee meeting.

<b>Contact Officer:</b>	Ruth Appleby
Telephone Number:	Tel: 0151 934 2181
Email Address:	ruth.appleby@sefton.gov.uk

**Appendix:**

Ernst and Young - Annual Audit Letter for the Year ended 31 March 2020

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# Sefton Metropolitan Borough Council

Annual Audit Letter for the year  
ended 31 March 2020

May 2021

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The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better  
working world

Agenda Item 4b

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.





Section 1

# Executive Summary

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# Executive Summary

We are required to issue an annual audit letter to Sefton Metropolitan Borough Council (the Council) following completion of our audit procedures for the year ended 31 March 2020. Covid-19 had an impact on a number of aspects of our 2019/20 audit. We set out these key impacts below.

Area of impact	Commentary
<b>Impact on the delivery of the audit</b>	
▶ Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities. . We worked with the Council to plan for this deadline, but were unable to complete certain procedures. We signed our opinion in March 2021.
<b>Impact on our risk assessment</b>	
▶ Valuation of Property Plant and Equipment	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's valuers. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of property, plant and equipment.
▶ Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans needed revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the council would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
▶ Events after the balance sheet date	We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Council.
<b>Impact on the scope of our audit</b>	
▶ Information Produced by the Entity (IPE)	<p>We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:</p> <ul style="list-style-type: none"> <li>▶ Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and</li> <li>▶ Agree IPE to scanned documents or other system screenshots.</li> </ul>
▶ Consultation requirements	Additional EY consultation requirements concerning the impact on auditor reports. The changes to audit risks and audit approach changed the level of work we needed to perform.

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# Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
<b>Opinion on the Council's:</b>	
▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
▶ Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	<p>We concluded that you have put in place proper arrangements to secure value for money in your use of resources</p> <p>We reported in our final Audit Results Report the findings in relation to the significant risks identified, being securing financial resilience, Dedicated Schools Grant deficit position and Department for Education (DFE) Improvement Notice.</p> <p>The Value for Money requirements for 2020/21 have been amended. We are presenting the Audit and Governance Committee with a separate paper on these changes and impact.</p>

Area of Work	Conclusion
<b>Reports by exception:</b>	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

# Executive Summary (cont'd)

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We completed the required work and had no matters to report.

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 31 March 2021.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 31 March 2021.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Hassan Rohimun  
 Associate Partner  
 For and on behalf of Ernst & Young LLP

Section 2

# Purpose and Responsibilities

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Agenda Item 4b



# Purpose

## The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Report to the 17 March 2021 Audit and Governance Committee, representing those charged with governance, and circulated a final Audit Results Report in March 2021 . We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

# Responsibilities

## Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued on 06 March 2020 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2019/20 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

# Financial Statement Audit

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# Financial Statement Audit

## Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 31 March 2021.

Our detailed findings were reported to the 17 March 2021 Audit and Governance Committee, and we circulated a final Audit Results Report in March 2021.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p><b>Misstatements due to fraud or error</b></p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We respond to this fraud risk on every audit engagement.</p> <p>We update our assessment throughout the audit. We have not identified any specific fraud risks that resulted in adjustments to our audit strategy.</p> <p>We recognise the risk of misstatements due to fraud or error as potentially occurring in income and expenditure recognition, including related estimates and judgements, or in material and significant accounting estimates relating to pensions, as identified in our significant risks.</p>	<p>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in preparing the financial statements</p> <p>We considered the nature and form of fraud risks as part of our audit planning, including direct inquiry of management about the risks of fraud and the controls put in place to address those risks.</p> <p>We performed substantive testing of a sample of manual journals that met specific risk criteria in order to understand their purpose and appropriateness, and we reviewed and tested significant accounting estimates for evidence of management bias, including those related to pensions, accruals, asset valuation, depreciation, bad debts and provisions.</p> <p>We considered the existence of significant unusual transactions during the year, identifying no such transactions.</p> <p>We considered whether the results of testing relating to revenue and expenditure recognition indicated management override of controls, and we tested a sample of Property Plant and Equipment additions to confirm that the expenditure has been appropriately capitalised.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied and our testing of capital additions did not identify any inappropriate capitalisation of expenditure.</p> <p>Our testing of journals found the items in our risk based sample to be appropriately supported and entered into the general ledger.</p> <p>Our testing of judgements and estimates did not identify inappropriate judgements or bias in estimates,</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p><b>Risk of fraud in revenue and expenditure recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. Due to the nature and value of income which comprises of Government Grants, income from Council Tax and Business Rates, it is our view is that the risk is not significant in these areas, but is relevant to other income and operating expenditure.</p> <p>We consider that the risk impacts on the following account balances:</p> <ul style="list-style-type: none"> <li>• Year-end trade payables and the calculation of estimates, accruals and provisions which impact on the completeness and valuation assertions.</li> <li>• Year-end trade receivables and accruals which impacts on the existence and valuation assertions.</li> <li>• Operating expenditure transactions during the financial year and around the year end which impacts on both the occurrence and completeness assertions.</li> <li>• Improper capitalisation of revenue expenditure in order to reduce the impact on the general fund</li> </ul>	<p>We carried out the following substantive procedures in response to this risk:</p> <ul style="list-style-type: none"> <li>▸ Documented our understanding of the processes and controls in place to mitigate the risks.</li> <li>▸ Identified and walked through relevant processes and controls, confirming our understanding.</li> <li>▸ Reviewed income and expenditure recognition policies and confirmed consistency of application through performance of testing</li> <li>▸ Identified significant accounting estimates for revenue and expenditure, and obtained the basis and methodology on which management made these estimates.</li> <li>▸ Tested the significant accounting estimates to confirm appropriateness and consistency with supporting records, and found no evidence of bias</li> <li>▸ Sample tested material revenue and expenditure streams with a focus on assets and liabilities at the year-end</li> <li>▸ Tested of revenue cut-off at the period end date</li> <li>▸ Conducted testing to identify unrecorded liabilities at the year-end</li> <li>▸ Tested a sample of Property Plant and Equipment additions to confirm that the expenditure had been appropriately capitalised</li> </ul> <p>Our substantive transaction testing of income and expenditure was supported by our use of data analytics tools to support sample selection and enable our consideration of the full population.</p> <p>Our testing, has not identified any material misstatements from revenue and expenditure recognition.</p> <p>We identified one material classification error in expenditure disclosed in note 5 to the accounts, income and expenditure by nature. This was amended and had no impact on total expenditure or income disclosed.</p> <p>Our testing of income recognition found one judgemental issue. We have reported one unadjusted misstatement with maximum value £4.68m in relation to grant recognition, and raised a control recommendation in section 8 in relation to this. We found no errors in expenditure recognition.</p> <p>Our testing of capital additions did not identify any inappropriate capitalisation of expenditure.</p> <p>Our testing of accruals and provisions found no inappropriate judgements applied in the recognition and valuation of the liabilities..</p> <p>Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.</p>

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# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p><b>Risk of error in valuation of pension fund assets and liabilities in the Local Government Pension Scheme</b></p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £466 million and at 31 March 2020 totalled £402 million.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Merseyside Pension Scheme. In 2018/19 the final figures included adjustments for the McCloud and GMP judgements which increased the liabilities recognised.</p> <p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>• Liaised with the auditors of the Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;</li> <li>• Assessed the work of the Pension Fund actuary, including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by our EY actuarial team;</li> <li>• Tested the variation in the pension fund assets used by the actuary in reporting to the Council against the actual year end asset valuation,</li> <li>• Considered the basis for the actuary valuation of the assets in their report to the Council, and</li> <li>• Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.</li> </ul> <p>Our work on the liabilities recognised, and the assumptions underpinning them, have raised no significant issues. The key assumptions in relation to the liabilities and our assessments are set out in more detail in our Audit Results Report.</p> <p>Pension assets: the Fund's valuers have declared a 'material uncertainty' in relation to Direct Property. The Pension Fund assets were not adjusted in relation to this.</p> <p>Level 3 assets - the pension fund auditor disclosed to us an overstatement of level 3 assets, which was not adjusted on the grounds of materiality. The Council share of the misstatement is not material to the Council financial statements.</p> <p>Further detail on these issues is given on the following page.</p> <p>We identified no further issues from the work we carried out.</p> <p>Therefore we have concluded that the Pension Fund assets are not materially misstated in the Council financial statements.</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Significant Risk	Conclusion
<p><b>Risk of error in valuation of land and buildings</b></p> <p>The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet, including the use of work from valuation experts.</p>	<p>We:</p> <ul style="list-style-type: none"> <li>• Considered the work performed by the Council's external and internal valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;</li> <li>• Performed sample testing of key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);</li> <li>• Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Property. We identified no specific changes to assets that have occurred and required communication to the valuer;</li> <li>• Engaged our own valuation specialists to support our review of a sample of fair value and schools valuations, and</li> <li>• Tested accounting entries have been correctly processed in the financial statements</li> </ul> <p>As a result of the pandemic, valuers issued uncertainty statements in relation to valuations undertaken, in line with RICS guidance.</p> <p>We assessed the valuation basis and managements consideration and disclosure of the potential uncertainty. We engaged our own valuation experts to assist us in considering the types of assets for which an uncertainty could be material. We concluded that assets valued at DRC would be unlikely to be materially misstated. We agreed minor wording disclosure amendments with management which are reflected in the final financial statements.</p> <p>Our testing of the information sent to the valuer and the application of the valuation to the financial statements raised no issues to report.</p> <p>Our testing of the fair value valuation of The Strand and the valuation of a sample of School assets found the valuations to be within an acceptable range. Further detail on the estimates is provided in our Audit Results Report.</p> <p>We consider the disclosures of the uncertainty to be appropriate.</p> <p>We have not identified any additional matters to bring to your attention</p>

# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings and Inherent Risks	Conclusion
<p><b>Going Concern basis of preparation</b></p> <p>This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.</p> <p>The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform in assessing whether the Council is a going concern. This means UK auditors will follow significantly stronger requirements than those required by current international standards.</p> <p>As discussed at the 16th September Audit and Governance Committee, the current and future uncertainty over government funding and other sources of Council revenue as a result of Covid-19 increased our focus and work in this area and we requested that management undertake a more detailed going concern assessment to support its assertion.</p>	<p><b>Support for the going concern assertion.</b></p> <p>There is presumption that the Council will continue as a going concern, and accounts are prepared on a going concern basis. The Council declares this basis in the notes to the accounts.</p> <p>Your narrative statement appropriately reflected the impact and increased risks as a result of the pandemic, and therefore we requested that the disclosure in note 63(a), notes to the financial statements, was expanded to set out the basis for preparing the statements on a going concern basis.</p> <p>From an audit perspective, the auditor's report going concern concept is a 12-month outlook from the audit opinion date, rather than the balance sheet date. So, for this set of statements we needed to assess evidence of going concern up to and including March 2022.</p> <p>We have scrutinised the Council's assessment of the impact of Covid-19 on its planned income and expenditure budgets, its revised financial plans and cashflow forecasts. We have challenged known outcomes, sensitivities, mitigating actions and key assumptions. We have also discussed with management the need to make specific disclosures in the statements on going concern. The final version of the statements includes these updated disclosures.</p> <p>In addition to the above, we have consulted internally within EY in respect of the wording of our auditor's report to ensure that it provides the appropriate assurance to the Council and its stakeholders.</p> <p>We are satisfied with management's assessment that the Council remains a going concern, and the disclosures appropriately present that assessment.</p>

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# Financial Statement Audit (cont'd)

The key issues identified as part of our audit were as follows: (cont'd)

Other Key Findings and Inherent Risks	Conclusion
<p><b>Investments and subsidiaries</b></p> <p>The Council have a material wholly owned subsidiary and therefore produce group accounts as well as Council entity accounts. Our audit opinion is required to cover the group as well as the entity financial statements and notes.</p> <p>The Council also have other subsidiaries and joint working arrangements that require management judgement.</p> <p>gements are required covering:</p> <ul style="list-style-type: none"> <li>Composition of the group accounts;</li> <li>Disclosure requirements for subsidiaries included and excluded from the group accounts;</li> <li>Application of group accounting policies to the activity of subsidiaries; and</li> <li>The application of consolidation and elimination adjustments.</li> </ul>	<p>The audit of the subsidiary was carried out by the firm engaged to audit the subsidiary. We issued group instructions, received confirmation and reviewed the audit deliverables and work over the significant risks.</p> <p>We completed our procedures on the consolidation process and the group eliminations, as well as the presentation of the group accounts.</p> <p>We found no significant items to bring to your attention in regard to the group accounts.</p>

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# Financial Statement Audit (cont'd)

## Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p>We determined planning materiality to be £11.49m (2019 £11.49m), which is 1.8% of gross expenditure on the provision of services reported in the prior year 2019/20 accounts. We updated our planning materiality assessment using the draft 2019/20 results and also reconsidered our risk assessment. We updated our overall materiality assessment for the Council to £11.46m.</p> <p>Group materiality was set at £11.51m,</p> <p>We consider gross expenditure on the provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council</p>
Reporting threshold	<p>We agreed with the Audit and Governance Committee that we would report to the Committee all audit differences in relation to the Council as an entity and for the group in excess of £0.57m (2019: £0.57m)</p>

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits:
- ▶ We set a materiality of £1k for audit fee, remuneration disclosures, exit package and members allowances disclosures, which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these disclosures.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

Section 4

# Value for Money



# Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider NHS bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

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We identified 3 significant risks in relation to these arrangements. The tables below present the findings of our work in response to the risks identified and any other significant weaknesses or issues to bring to your attention.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We therefore issued an unqualified value for money conclusion on 31 March 2021.



# Value for Money (cont'd)

Significant Risk	Conclusion
<p><b><u>Department for Education (DFE) Improvement Notice</u></b></p> <p>In June 2019 DFE improvement notice in relation to a failure to make sufficient progress against areas of weakness identified in the special educational needs and disability (SEND) provision.</p> <p>The risks are that the Council does not appropriately respond to the recommendations, or that in responding to these priorities the required resources result in underperformance against savings requirements impacting the financial sustainability plans the Council have in place</p>	<p>We assessed:</p> <ul style="list-style-type: none"> <li>• The arrangements in place to respond to the recommendation in the SEND improvement plan</li> <li>• The monitoring of the financial impact of responding to the recommendations</li> <li>• Arrangements to report and monitor outstanding actions.</li> </ul> <p>Whilst there has not been a re-inspection due to take place and therefore no formal update on the Council's progress in responding to the improvement notice from DFE, we have identified that the Council has in place the arrangements to respond to and monitor the actions being taken against the improvement notice.</p>
<p><b><u>Dedicated Schools Grant deficit position</u></b></p> <p>In 2018/19 the closing Dedicated Schools Grant (DSG) balance was a deficit of £230k following net overspend of £745k in the year. Overspends are projected for 2019/20 with projected year end deficit of over £2m. Given the increase in actual and projected deficit the Council need to demonstrate robust plans for recovering the deficit and returning to a sustainable position, while managing the demands on high needs costs.</p>	<p>The year end 2019/20 deficit position is a net overspend of £4.1m. Combined with the brought forward deficit position of £0.23m, the resulting carry forward is £4.3m.</p> <p>Our testing covered</p> <ul style="list-style-type: none"> <li>• The arrangements in place to monitor, report and respond to the increasing deficit position</li> <li>• The budget setting and MTFS implications of recovering the deficit</li> </ul> <p>The NAO has further clarified the position of the DSG reserve in response to consultation and changes in arrangements for 2020/21.</p> <p>The new regulations mean that when setting budgets for 2020/21 onwards, cumulative DSG deficits no longer have a direct impact on the general fund, as the DSG reserve cannot be funded from it without explicit permission from the Secretary of State.</p> <p>The significantly increased deficit position, and continuing challenges in managing the cost of service provision and need to engage with schools and DFE, mean the management end reduction of the deficit remain significant areas of focus for the Council. This is appropriately disclosed in the narrative statement in the accounts.</p> <p>Our testing has demonstrated that there has been ongoing engagement with the DFE, there is a deficit recovery plan in place and consultation with the schools affected has been ongoing. The deficits are driven by demand, which is being monitored and actioned, and the reporting to the Council has been appropriate. Therefore we have concluded there are proper arrangements in place in respect of our value for money conclusion responsibilities.</p>

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# Value for Money (cont'd)

Significant Risk	Conclusion
<p><b>Maintaining Financial sustainability</b></p> <p>The Council are operating in a continued environment of financial challenge and savings requirements across the sector, with pressure from demand led services in both adult and children's services resulting in expenditure in excess of budget in 2018/19.</p> <p>The Council set a one year budget for 2019/20 while awaiting the outcome of the central spending review to inform longer term planning and have now set a one year budget for 2020/21. The Council have a revised forward looking MTFS to 2022/23 but acknowledge the uncertainties in the national funding position and the assumptions that have been made to set this strategy.</p> <p>2019/20 forecast outturn is a £3m overspend against budget, driven principally by cost of high need in children's social services £1.3m net overspend and a projected underachievement of savings of £1m, to be offset by use of reserves including the £1m budget pressure reserve created to support any shortfall and one off use of retained business rate reserve.</p> <p>Reports to members on the outturn and forecast also recognise the impact of non-recurrent savings supporting the 2019/20 outturn, which result in additional savings to be identified in future years.</p> <p>Additionally, management recognise that the levels of reserves and General Fund Balance are assessed by the CIPFA financial resilience tool as at the higher risk end (lower balance) when compared to similar organisations and plan to increase this resilience over the medium term.</p> <p>As such, the identification and realisation of savings in the Medium Term Financial Plan remain critical to maintaining the level of reserves and financial sustainability.</p>	<p>The 2019-20 outturn position (excluding expenditure delegated to schools) resulted in expenditure in excess of budget in 2019/20, The impact is a reduction in general fund from £7.539m to £6.984m as at 31 March 2020.</p> <p>This remains at the lower end of the range set by the Section 151 officer, but we note that the level of general fund in relation to the size of the Council means that there remains a financial resilience risk. The Council have planned to improve the general fund position, and reported both the risk and the plans for management to Cabinet and Council as part of the budget setting process for 2021/2022 in February / March 2021.</p> <p>Our approach focused on the arrangements that the Council has in place to plan for, monitor and report on financial resilience in the medium term and the impact of the 2019/20 outturn position.</p> <p>A balanced budget for 2020/21 was set in February 2020, and the 2021/22 budget and assumptions were presented to Cabinet in February 2021.</p> <p>In assessing the medium term planning and reporting to members, we have:</p> <ul style="list-style-type: none"> <li>▸ Reviewed the actions which the Council is undertaking to ensure there is a sustainable position as part of setting the Medium Term Financial Strategy (MTFS)</li> <li>▸ Considered current financial standing and the availability of reserves to fund future expenditure</li> <li>▸ Considered the appropriateness of assumptions used by the Council in setting the budget and Medium Term Financial Strategy.</li> </ul> <p>The MTFS identified potential pressures and savings requirements of £19m to 2022/23 and £24m to 2023/24. This is before any Council Tax and Adult Social Care Precept decisions are made and any additional service delivery options are considered, which could significantly mitigate the identified budget gap .</p> <p>The Council have sufficient reserves in the medium term, but recognise that any use of reserves to support the identified deficits will be required to be repaid from future budgets.</p> <p>The Council continue to appropriately plan, monitor and report the financial position and plans and demonstrate appropriate arrangements for the identification and monitoring of savings requirements</p>

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Section 5

# Other Reporting Issues

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# Other Reporting Issues

## Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes.

We completed this work and had no issues to report]

## Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

## Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

## Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

## Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

## Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

## Independence

We communicated our assessment of independence in our Audit Planning Report and Audit Results Report to the Audit and Governance Committee. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## Other Reporting Issues (cont'd)

### Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We raised six improvement opportunities in respect of control environment, which management have responded to.

# Other Reporting Issues (cont'd)

Issue	Recommendation	Response / Responsibility / Target date
<p>Section 106 grant recognition - Grant receipts have been accounted for as receipts in advance and reported as liabilities on the balance sheet. Where conditions are fulfilled, or on balance are likely to be fulfilled, these should be credited to the income statement and transferred to the unapplied grants balance.</p>	<p>We recommend that the process for recognition of the Section 106 grants assesses conditions, and whether these are met, on an individual basis. This would result in the correct timing of release of the grants through the income statement.</p>	<p>The Council will undertake a full review of all unutilised S106 grants received to assess if conditions have been fulfilled, or on balance are likely to be fulfilled, and account for these through the Income and Expenditure Statement. These unutilised grants will then be shown on the Balance Sheet as Earmarked Reserves or Capital Grants and Contributions Unapplied depending on their intended use.</p> <p>Paul Reilly / May 2021</p>
<p>PFI Liability fair value - Management have disclosed in the notes to the accounts that the carrying value and the fair value of the PFI liability are the same. While this is a disclosure note only and does not affect the carrying value of the liability in the balance sheet, there is currently insufficient support for this disclosure.</p>	<p>We recommend that as part of the PFI asset valuation process, management also formally obtain a valuation of the fair value of the liability.</p>	<p><b>The Council will obtain a valuation of the fair value of the PFI asset and liability for disclosure in the Notes to the Financial Statements.</b></p> <p>Thomas Walmsley / April 2021</p>
<p>Historic cost basis reported from asset register system - The supporting PPE note on timeliness of rolling valuations relies upon a system report of the relevant assets. The system divides assets between components and incorrectly understates the value of revaluations for each year and overstates the value of assets held at historic cost / not revalued. Our work concluded that the total value of assets reported in the balance sheet and the system reflect the revaluations, but that the report on the timing of the valuation is incorrectly reporting elements assets as not revalued.</p>	<p>We recommend that the total value of assets reported as not revalued is assessed to assign the elements to the correct valuation period.</p> <p>We recommend that the basis for the report is updated for completion of the note in future years.</p>	<p><b>The Note has been updated to reflect the timing of the valuation of the full asset for Other Land and Buildings and Surplus Assets. The report will be updated to ensure that the analysis is available to also complete the Note correctly in future years.</b></p> <p>Thomas Walmsley / June 2021</p>

## Other Reporting Issues (cont'd)

Issue	Recommendation	Response / Responsibility / Target date
<p>Our testing of disposals recorded for 2019/20 identified a £994k disposal which had taken place in the 2018/19 year (May 2018) but had not been accounted for. The disposal was accounted for in the current year (2019/20). The amount was not material. As we raised a recommendation in relation to disposals in 2018/19, this issue is included in the update on the following page.</p>	<p>We have previously raised a recommendation in relation to demolished assets. Therefore we recommend that the review process for identifying demolished assets is extended to cover all asset disposals.</p>	<p>Following centralisation of capital management within Financial Services, notification of disposals will now be made to one team ensuring the capital accounting system will be updated as and when disposals take place.</p>
<p>Our testing of lease disclosures identified that future commitments are calculated so that any remaining months at the end of a lease are calculated as if a full year remained. This overstates the future commitments, although the impact is not material, in the disclosure note only with no other impact.</p>	<p>We recommend that the future lease liability calculation is amended to calculate remaining months, to enable accurate disclosure of remaining commitment.</p>	<p><b>Calculation will be amended for the disclosure in the 2020/2021 Statement of Accounts</b></p>
<p>Journals controls - as identified in prior years the Council does not have a process in place to require authorisation of journals prior to posting. Journals can be prepared and posted by the same member of staff prior to authorisation, which increases the risk of fraudulent activity and material misstatement in the accounts.</p>	<p>We have previously recommended that a segregation of duties between the preparation and authorisation of journals prior to posting to the general ledger is established. Due to the inherent risk in this areas we reiterate our recommendation to you. Management consider that appropriate review and mitigation controls are in place. We found no issues with our testing of journals. However, we have previously recommended that a segregation of duties between the preparation and authorisation of journals prior to posting to the general ledger is established. Due to the inherent risk in this areas we reiterate our recommendation to you.</p>	<p>This has been the subject of review and a materiality level was introduced during 2020 that requires authorisation from a Service Manager within Financial Management for all journals above £10,000. This is now incorporated into the Scheme of Delegation for each service.</p> <p>In addition, the Council has developed a new approach so that there will be a segregation of duties between the preparation and authorisation of journals prior to posting to the general ledger. This approach was due to be implemented during 2020/2021 but this hasn't proved possible due to the impact of COVID-19. It will now be introduced in the early part of 2021/2022.</p>

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Section 6

# Focused on your future

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# Focused on your future

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
<b>IFRS 16 Leases</b>	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2021/22 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be updated, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the revised 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

Section 8

# Audit Fees

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Ref: EY

[Insert Client Name]

# Audit Fees

Our fee for 2019/20 is reported in our Annual Results Report. We confirm we have undertaken non-audit work in relation to Housing Benefit and Teachers Pensions certification returns. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2017

	Fee 2019/20	Final Fee 2018/19
	£	£
Audit fee - scale fee	97,711	97,711
Proposed adjustment to scale fee*	74,054*	-
<b>Total</b>	<b>171,765</b>	<b>97,711</b>
Additional fee to address risks**	33,200**	6,500
<b>Total audit fee - code work</b>	<b>204,965</b>	<b>104,211</b>
Non-audit work - Grant claims - Teachers Pension	6,500	6,500
Non-audit work - Grant claims - Housing Benefit	11,500	11,500
<b>Total non-audit services</b>	<b>18,000</b>	<b>18,000</b>

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\*We wrote to management and the Audit and Governance Committee Chair on 10 February 2019 setting out our considerations on the sustainability of UK local public audit. A scale fee of £97,711 has been set by PSAA for the 2019/20. We have been in correspondence with management to outline the impact that the changing risk and regulatory environment is having on our audits and why we do not believe the existing scale fees provide a clear link with either a public sector organisation's risk or its complexity and the work required to deliver a safe audit opinion. We outlined to management that we believe the fee for the Council should be set at £171,765. Management has not agreed to this increase in the scale fee and we have provided the PSAA with our assessment of the fee.

\*\* There have been changes to our audit scope because of Covid-19 and additional work in response to issues arising during the audit. The total cost of these changes in risk and requirements is estimated at £33,200 and subject to discussion with PSAA. Areas of additional work include:

- Using EY Real Estate experts to assess the impact of Covid-19 on land and building valuations and the material uncertainty clause in the Council's valuation report;
- Review of the valuation of the Strand shopping centre;
- Additional procedures to consider the Council's going concern assessment;
- Additional procedures to consider the Council's arrangements for securing Value for Money
- Additional procedures to consider the estimation risk in the valuation of Pension Fund assets disclosed in the Council financial statements
- Additional procedures relating to assess the work of the component auditor for the group financial statements
- Consultation requirements concerning the impact on the Auditor's report from the land and building valuations material uncertainty clause and going concern assessment;

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# Agenda Item 4c

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 23 June 2021
<b>Subject:</b>	EY - 2020/21 Auditor Work on Value for Money (VFM) Arrangements		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Regulatory, Compliance and Corporate Resources		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

To consider the attached EY report on the 2020/ 2021 Auditor VFM arrangements.

## Recommendation:

The Committee is requested to note the report.

## What will it cost and how will it be financed?

**(A) Revenue Costs**  
N/A

**(B) Capital Costs**  
N/A

## Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> N/A
<b>Legal Implications:</b> N/A

# Agenda Item 4c

<b>Equality Implications:</b> There are no equality implications.	
<b>Climate Emergency Implications:</b>  The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

## Contribution to the Council’s Core Purpose:

Protect the most vulnerable: N/A
Facilitate confident and resilient communities: N/A
Commission, broker and provide core services: N/A
Place – leadership and influencer: N/A
Drivers of change and reform: N/A
Facilitate sustainable economic prosperity: N/A
Greater income for social investment: N/A
Cleaner Greener N/A

## What consultations have taken place on the proposals and when?

### (A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6432/21) and the Chief Legal and Democratic Officer (LD.4633/21) have been consulted and any comments have been incorporated into the report.



## (B) External Consultations

### Implementation Date for the Decision

Immediately following the Committee meeting.

<b>Contact Officer:</b>	Ruth Appleby
Telephone Number:	Tel: 0151 934 2181
Email Address:	ruth.appleby@sefton.gov.uk

### Appendix:

2020/21 Auditor work on VFM arrangements.

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2020/21 Auditor work on VFM  
arrangements -

March 2021

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Agenda Item 4c

## Background

The Local Audit and Accountability Act 2014 (the Act) makes the National Audit Office's (NAO) Comptroller and Auditor General responsible for the preparation, publication and maintenance of the Code of Audit Practice (the Code). The Code sets out what local auditors are required to do to fulfil their statutory responsibilities under the Act. Local auditors must comply with the Code of Audit Practice. The Code must be reviewed at least every five years, so the Code that applies will depend on the financial year being audited.

For audits of financial years from 2020-21 onwards, the 2020 Code of Audit Practice applies. The new Code came into force on 1 April 2020, after being approved by Parliament. It was developed following a consultation process in 2019. The Code will therefore apply to the audit of the Authority from 2020/21 and replace the 2015 Code which preceded it.

The new Code has introduced changes to the approach we are required to take to issue our judgement on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources - the statutory judgement on Value for Money (VFM) arrangements that forms part of our annual audit report.

The purpose of this paper is to provide a high level overview of some of the key changes in the new Code as they relate to our VFM approach at the Authority. At the time of writing there remains some further work to do, in discussion with the NAO, to fully understand the implications of the changes and their impact on our programme of work. We will also need to consider the continuing impact of Covid-19 on local public bodies and auditors as it pertains to our VFM responsibilities.

## Auditor responsibilities under the new Code of Audit Practice

Under the 2020 Code of Audit Practice we are still required to consider whether an authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer an overall evaluation criterion on which we need to conclude. Where auditor's identify a significant weakness in proper arrangements, we are required to report by exception within the audit report on the statement of accounts. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**  
How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**  
How the Authority ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness**  
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

## Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Authority's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Authority's arrangements, we are required to consider:

- The Authority's Annual Governance Statement
- Evidence that the Authority's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Authority to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Authority's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Authority;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Authority's reported performance;
- Whether the issue has been identified by the Authority's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;

### Planning and identifying VFM risks (contd)

- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Authority has had to respond to the issue.

### Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions.

### Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Authority's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

The new Code promotes more timely reporting by auditors. So where we have sufficient evidence to determine that there is a significant weakness on VFM related arrangements we can report that weakness, and an associated recommendation for improvement, at that time and not wait until we are issuing our Audit Results Report on the audit of the statement of accounts.

### Summary of changes in VFM requirements between the 2015 and 2020 Codes of Audit Practice

We set out a summary of key changes in VFM requirements between the 2015 and 2020 Codes in tabular form over-page.

## 2015 Code requirement

### Overall requirement

For auditors to satisfy themselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### Design of work

The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report by exception if the auditor concludes that they are not satisfied that the audited body has put in place proper arrangements to secure value for money in the use of its resources for the relevant period.

Where required, the auditor should report their conclusion on the audited body's arrangements having regard to specific reporting criteria.

### Assurance given

In carrying out this work, the auditor is not required to satisfy themselves that the audited body has achieved value for money during the reporting period.

### Other sources of relevant information

Auditors need to consider:

- The audited body's governance statement
- Evidence that the audited body's arrangements were in place during the reporting period;
- Evidence obtained from the auditor's other work
- The work of inspectorates and other bodies and
- Any other evidence source that the auditor regards as necessary to facilitate the performance of their statutory duties

## 2020 Code requirement

### Overall requirement

No change in requirement.

### Design of work

The auditor's work should be designed to provide the auditor with sufficient assurance to enable them to report to the audited body a commentary against the specified reporting criteria on the arrangements the body has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

Where the auditor is not satisfied in respect of arrangements to secure value for money, they should refer to this by exception in their audit report on the financial statements.

### Assurance given

No change in requirement. Our work remains arrangements based.

### Other sources of relevant information

No change in requirement.

2015 Code requirement	2020 Code requirement
<p><b>Quantum of work</b> Determining how much work to do on arrangements to secure value for money is a matter of auditor judgement.</p>	<p><b>Quantum of work</b> Determining how much work to do on arrangements to secure value for money remains a matter of auditor judgement, but we expect the enhanced risk assessment process and reporting requirements to require more time to be input.</p>
<p><b>Reporting criteria</b> The NAO's supporting Auditor Guidance Note 3 defines proper arrangements as:</p> <ol style="list-style-type: none"> <li>1. <i>Informed decision making</i> <ul style="list-style-type: none"> <li>• Acting in the public interest, through demonstrating and applying the principles and values of sound governance</li> <li>• Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management</li> <li>• Reliable and timely financial reporting that supports the delivery of strategic priorities</li> <li>• Managing risks effectively and maintaining a sound system of internal control</li> </ul> </li> <li>2. <i>Sustainable resource deployment</i> <ul style="list-style-type: none"> <li>• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</li> <li>• Managing and utilising assets effectively to support the delivery of strategic priorities</li> <li>• Planning, organising and developing the workforce effectively to deliver strategic priorities</li> </ul> </li> <li>3. <i>Working with partners and other third parties</i> <ul style="list-style-type: none"> <li>• Working with third parties effectively to deliver strategic priorities</li> <li>• Commissioning services effectively to support the delivery of strategic priorities</li> <li>• Procuring supplies and services effectively to support the delivery of strategic priorities</li> </ul> </li> </ol>	<p><b>Reporting criteria</b> The Code specifies that auditors need to focus on these reporting criteria:</p> <ol style="list-style-type: none"> <li>1. <i>Financial sustainability</i>: how the body plans and manages its resources to ensure it can continue to deliver its services. Specifically: <ul style="list-style-type: none"> <li>• How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;</li> <li>• How the body plans to bridge its funding gaps and identifies achievable savings;</li> <li>• How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;</li> <li>• How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and</li> <li>• how the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.</li> </ul> </li> <li>2. <i>Governance</i>: how the body ensures that it makes informed decisions and properly manages its risks. Specifically: <ul style="list-style-type: none"> <li>• How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;</li> <li>• How the body approaches and carries out its annual budget setting process;</li> </ul> </li> </ol>



## 2015 Code requirement

### Reporting criteria (continued)

See previous page

### Risk assessment

As part of planning, auditors should consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

## 2020 Code requirement

### Reporting criteria (continued)

- How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from the audit committee; and
- How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

3. *Improving economy, efficiency and effectiveness*: how the body uses information about its costs and performance to improve the way it manages and delivers its services. Specifically:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the body evaluates the services it provides to assess performance and identify areas for improvement;
- How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
- Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

### Risk assessment

The auditor will need to gather sufficient evidence and document their evaluation of it in order to enable them to draft their commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

**2015 Code requirement**

**Reporting**

The auditor should report to the audit committee the results of their work.

The Annual Audit Letter should provide a clear, readily understandable commentary on the results of the auditor's work and highlight any issues that the auditor wishes to draw to the attention of the public.

**2020 Code requirement**

**Reporting**

Auditors are required to report in a commentary each year under the specified reporting criteria and the Code expects that where auditors identify significant weaknesses in arrangements as part of their work, they will raise them promptly with the audit committee.

The auditor's annual report should bring together all of the auditor's work over the year. A core element of the report will be the commentary in accordance with the specified reporting criteria.

The commentary should be clear, readily understandable and highlight any issues that the auditor wishes to draw to the attention of the body or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

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ED None

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# Agenda Item 4d

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 23 June 2021
<b>Subject:</b>	EY - Sustainability of Local Authority Financial Reporting and External Audit in England - The Sir Tony Redmond Independent Review		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Regulatory, Compliance and Customer Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

To consider the Sir Tony Redmond (EY) report on sustainability of local authority financial reporting and external audit in England.

## Recommendation:

The Committee is requested to note the report

## What will it cost and how will it be financed?

### (A) Revenue Costs

N/A

### (B) Capital Costs

N/A

## Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> N/A
<b>Legal Implications:</b> N/A
<b>Equality Implications:</b> There are no equality implications.

# Agenda Item 4d

<b>Climate Emergency Implications:</b>	
The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

## Contribution to the Council's Core Purpose:

Protect the most vulnerable: N/A
Facilitate confident and resilient communities: N/A
Commission, broker and provide core services: N/A
Place – leadership and influencer: N/A
Drivers of change and reform: N/A
Facilitate sustainable economic prosperity: N/A
Greater income for social investment: N/A
Cleaner Greener N/A

## What consultations have taken place on the proposals and when?

### (A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6430/21) and the Chief Legal and Democratic Officer (LD.4631/21) have been consulted and any comments have been incorporated into the report.

### (B) External Consultations

## Implementation Date for the Decision

Immediately following the Committee meeting.

<b>Contact Officer:</b>	Ruth Appleby
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## Appendix:

Sustainability of local authority financial reporting and external audit in England  
The Sir Tony Redmond independent review.

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# Sustainability of local authority financial reporting and external audit in England

The Sir Tony Redmond independent review

## The Redmond review

### Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

Published on the 8<sup>th</sup> September 2020, Sir Tony Redmond's findings and recommendations from his independent review provides a significant opportunity to shape the future sustainability of local government financial reporting and auditing.

The recommendations included:

- A new body, the Office of Local Audit and Regulation (OLAR), be created to manage, oversee and regulate local audit.
  - A Liaison Committee be established comprising key stakeholders and chaired by MHCLG, to receive reports from the new regulator on the development of local audit.
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- Consideration being given to the appointment of at least one independent member, suitably qualified, to the Audit Committee.
  - The current fee structure for local audit be revised to ensure that adequate resources are deployed to meet the full extent of local audit requirements.
  - That quality be consistent with the highest standards of audit within the revised fee structure. In cases where there are serious or persistent breaches of expected quality standards, OLAR to have the scope to apply proportionate sanctions.
  - The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year.
  - MHCLG reviews its current framework for seeking assurance that financial sustainability in each local authority is maintained.
  - Key concerns relating to service and financial viability be shared between Local Auditors and Inspectorates including Ofsted, Care Quality Commission and HMICFRS prior to completion of the external auditor's Annual Report.
  - A standardised statement of service information and costs be prepared by each authority and be compared with the budget agreed to support the council tax/precept/levy and presented alongside the statutory accounts.
  - CIPFA/LASAAC be required to review the statutory accounts, in the light of the new requirement to prepare the standardised statement, to determine whether there is scope to simplify the presentation of local authority accounts by removing disclosures that may no longer be considered to be necessary

# The Redmond review

## MHCLG response

MHCLG believe the measures they are proposing to address the immediate concerns on market stability can be achieved within the existing local audit framework. As a result, MHCLG are planning to undertake a wide programme of stakeholder engagement in early 2021 in to the merits of a system leader and intend to provide a detailed response on the Redmond recommendations by the spring of 2021.

In the meantime, MHCLG are:

- Currently not minded to agree with the Redmond recommendations to create a single regulatory body, the Office for Local Audit and Regulation (OLAR). MHCLG believe creating OLAR would require significant structural reform and primary legislation which could take up to three years and that there needs to be a close alignment to other sectors that have audit regimes using the same pool of local audit specialists, e.g. Health.
- Of a view that a single regulatory body would not meet the spirit with and depart from the principles of the 2014 Local Audit and Accountability Act for a locally-led and accountable audit regime.
- Committing to explore the full range of options on how best to deliver a 'system leader', whether existing bodies could take on this function and weaknesses in the local audit system can be resolved without creating conflicts of interest.
- Mindful of the importance of close partnership working with BIES, a wish to ensure alignment with the Government's proposed response to the Brydon, Kingman and CMA reviews in to the audit profession.
- Reviewing whether their existing Local Audit Monitoring Board needs to be strengthened and how it interacts with other local audit forums, as an alternative way of addressing the recommendation for a Liaison Committee.
- Reviewing their expectations on the assurance framework and reporting of financial sustainability for each Local Authority.

## The Redmond review

### MHCLG response

MHCLG are taking the following actions to support the stability of the local audit market:

- Subject to consultation, there will be a review and reform of regulations by summer recess in 2021 to provide the appointing person (currently PSAA) with greater flexibility to ensure the costs to audit firms of additional work are met. This reform could include enabling the appointing person to allow a fee scale to be set or changed in-year, and/or enabling the appointing person to set additional fees across audited bodies in-year where there is clear evidence of additional work affecting those groupings.
- A decision will be made by spring of 2021 on the appointing person for the next round of procurement for Local Authority external audits which better balances quality and cost.

Local Authorities will be provided with an additional £15million of funding in the 2021/2022 financial year to meet the anticipated increases in audit fees and the costs associated with implementing summarised accounts.

- MHCLG will be amending regulations to extend the deadline for publishing audited local authority accounts from 31 July to 30 September for a period of two years, i.e. covering the audit of the 2020/21 and 2021/22 accounting years. MHCLG will review at the end of this period whether there is a continued need to have an extended deadline.

MHCLG will work jointly with CIPFA, ICAEW, NAO and enable any legislative changes; covering the following areas:

- MHCLG will work with the DHSC, DfE, Home Office and the NAO to support the sharing of key information between inspectorates and external auditors.
- Introducing standardised and summarised financial statements for 2021/2022 financial reporting. This will follow joint work with CIPFA and further consultation with local government and audit stakeholders on any changes to the Code of Audit Practice. Regulations may be changed to mandate the inclusion of the summarised statement alongside the annual accounts.
- Working with CIPFA/LASAAC to consider whether there is scope to simplify the presentation of local authority financial statements by removing disclosures that may no longer be considered necessary.

# Reflections from the Redmond review

## Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting

Published on the 8<sup>th</sup> September 2020, Sir Tony Redmond's findings and recommendations from his independent review provides a significant opportunity to shape the future sustainability of local government financial reporting and auditing. We believe this will help ensure audit continues to meet the evolving needs of local authorities, the public, and the public interest.

### Guiding principles for reform

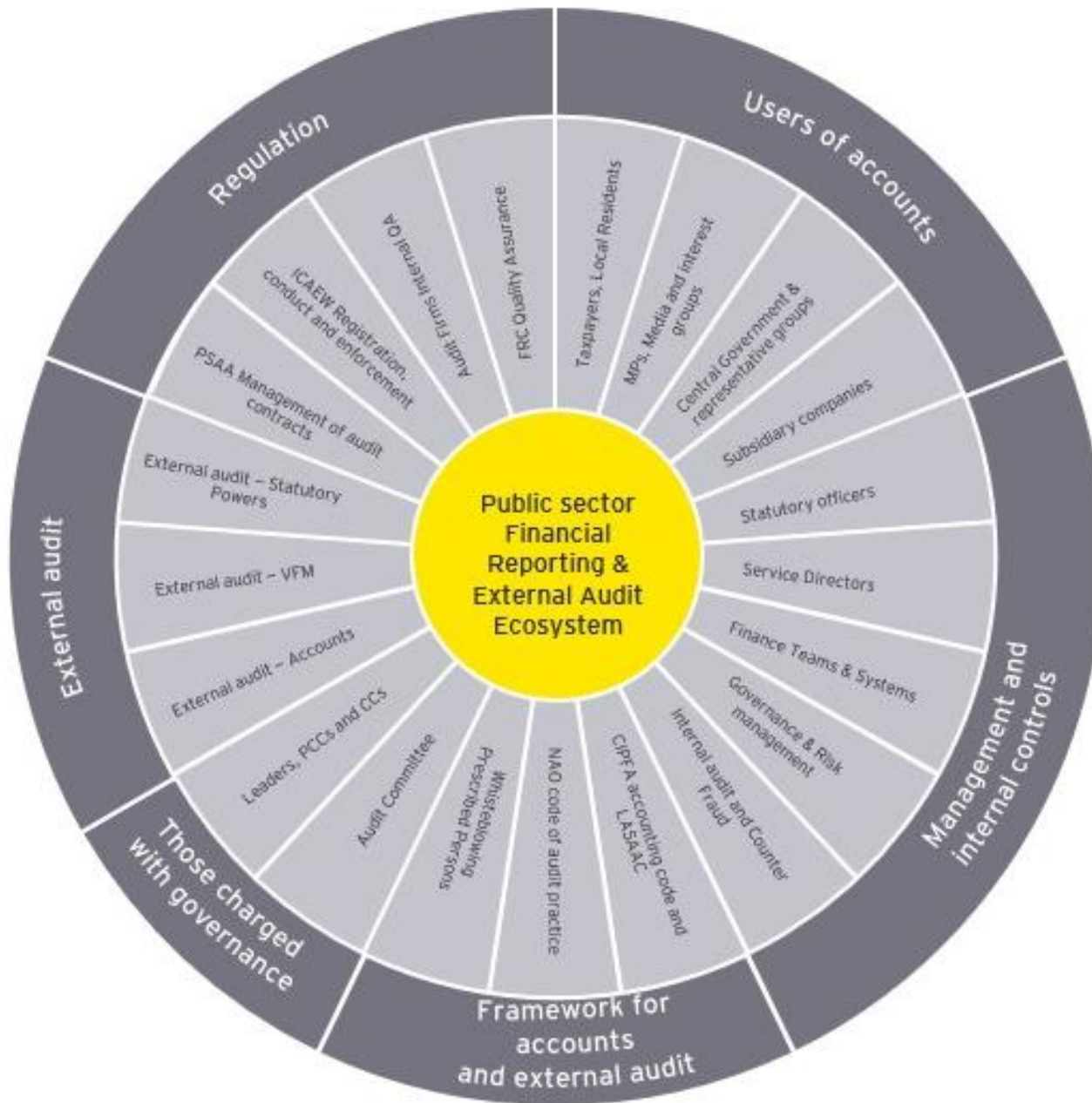
We believe reforms should be guided by the following principles:

- Reforms should enhance, or at least should not create risks to, the quality of financial reporting and external audit.
- The importance of the multidisciplinary audit firm model, to enable local auditors to respond efficiently and effectively to the increased reporting complexity, risks and financial resilience pressures we have seen facing the public sector pre and post Covid-19.
- There should not be a two-tier system of generally accepted accounting and auditing standards between the public and corporate sectors.
- To be effective and sustainable, reforms need to focus on the public sector financial reporting and external audit ecosystem as a whole.

### What impact will the Redmond review have on the Council?

- The publishing deadline for accounts is to be 30 September for 2020/21.
- All stakeholders in the ecosystem have a role to play to improve accountability, transparency and sustainability of financial reporting. In particular, improving the effectiveness of Audit Committees, strengthening the training skills, capacity, capability and the attractiveness of public sector finance and audit professions.
- The review highlights the importance of the auditors work to critically assess the financial resilience and viability of public sector bodies and has proposals on how this assessment could be enhanced within the NAO's code of audit practice. This may lead to a change to how auditors consider financial resilience.
- Changes to how you account for and report on your property, plant and equipment and pension liability will require CIPFA to change its Code and may take some time.
- You may be required to prepare a 'standardised statement of service information and costs' which can be compared with the budget agreed to support the council tax/precept/levy and presented alongside the accounts.

# Reflections from the Redmond review - a complicated eco-system



# Reflections from the Redmond review - our initial views

Taking our guiding principles, we broadly welcome the Redmond review and proposals, in particular:

## ***Quality of financial reporting and external audit***

- The recognition that all stakeholders in the ecosystem have a role to play to improve accountability, transparency and sustainability. This includes improving the effectiveness of Audit Committees, strengthening the training skills, capacity capability and attractiveness of the public sector finance and audit professions.
- His conclusion that the current procurement and fee structure does not support sustainable audit quality. We have provided you with our perspectives on how baseline audit fees need to change to take account of your risk profile, complexity as well as the regulatory and professional context which drive our audits.

## ***Reforming the public sector financial reporting and external audit ecosystem***

- A “system leader” and will bring clarity to the existing framework for local authority audit.
- The importance of MHCLG establishing a liaison committee of all key stakeholders to oversee reforms. To begin with MHCLG should take urgent action to implement primary legislation to, revise the timetable for financial reporting and revisit the procurement and fee structure for public sector audit.

## ***Interdisciplinary audit firm model***

- The importance of the auditors work to critically assess the financial resilience and viability of public sector bodies and his proposals on how this assessment could be enhanced within the NAOs code of audit practice.

## ***Safeguarding professional accounting and auditing standards***

- The need for CIPFA/LASAAC to revisit the accounting code and introduce summarised accounts. We agree that there is a need for more proportionality in the Code which also sets out the expectations of practitioners and auditors and how this could be applied in areas such as pensions and asset valuations. However, we believe that any future proposals on the accounting code should not create a two-tier system.

## ***What are we doing in the meantime?***

- Planning for a 30 September financial reporting target date for local government 2020/2021 accounts, integrated with our NHS work. We responded to the MHCLG consultation on the proposed timetable. Points raised by the profession and ourselves included: impact of Covid 19; capacity of audit profession and local authority finance teams; the need for additional funding; and Increasing complexity of local authority decision making (including commercialisation, group accounting and the need for the greater use of specialists).
- Implementing the new NAO code and changes to our VFM conclusion work and reporting for 2020/2021 audits. We will also work with the NAO and other audit suppliers on any refinements to how auditors assess financial resilience.
- Continuing to engage with and influence MHCLG, NAO, PSAA CIPFA/LASAAC, FRC and other key stakeholders on the actions required to implement the Redmond proposals as swiftly as possible and how these effectively align to the broader package of audit reforms which BIES will consult on later this year.

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# Agenda Item 5

<b>Report to:</b>	Audit and Governance Committee  Council	<b>Date of Meeting:</b>	23 June 2021  15 July 2021
<b>Subject:</b>	Amendments to Motions at Full Council		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Cabinet member – Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

The report seeks permission to amend the Constitution in relation to the manner in which amendments to motions at Full Council are dealt with so that they are dealt with in the same manner when meetings were held remotely.

## Recommendation(s):

### Audit and Governance Committee

That it be recommended to Council that the Constitution be amended in relation to the manner in which amendments to motions at Full Council are dealt with in accordance with paragraph 2 of this report.

### Council

That the Constitution be amended in relation to the manner in which amendments to motions at Full Council are dealt with in accordance with paragraph 2 of this report.

## Reasons for the Recommendation(s):

In order for amendments to be dealt with in a more efficient and effective manner.

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## Alternative Options Considered and Rejected: (including any Risk Implications)

None

## What will it cost and how will it be financed?

(A) Revenue Costs - None

(B) Capital Costs - None

## Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b>	
None	
<b>Legal Implications:</b>	
Local Government Act 1972	
<b>Equality Implications:</b>	
There are no equality implications.	
<b>Climate Emergency Implications:</b>	
The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

## Contribution to the Council's Core Purpose:

Protect the most vulnerable:
Facilitate confident and resilient communities:
Commission, broker and provide core services: The Council's Constitution sets out how the Council operates, how decisions are made and the procedures to be followed to ensure that these are efficient, transparent and accountable to local people. The suggested amendments to the Constitution will reinforce these objectives.
Place – leadership and influencer:
Drivers of change and reform:

Facilitate sustainable economic prosperity:
Greater income for social investment:
Cleaner Greener

## What consultations have taken place on the proposals and when?

### (A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6419/21) has been consulted and any comments have been incorporated into the report.

The Chief Legal and Democratic Officer (LD4620/21) is the author of the report.

### (B) External Consultations

None

## Implementation Date for the Decision

Immediately following the Committee / Council meeting.

<b>Contact Officer:</b>	David McCullough
Telephone Number:	Tel: 0151 934 2008
Email Address:	david.mccullough@sefton.gov.uk

## Appendices:

There are no appendices to this report

## Background Papers:

There are no background papers available for inspection.

## 1. Introduction

- 1.1 The way amendments to motions at Full Council are dealt with is covered in Chapter 4 of the Constitution. An amendment can be moved at any time during a debate on a motion before the mover of the motion has exercised their right of reply at the end of the debate on the motion.
- 1.2 It has become common practice in recent years for the Mayor to ask that any member intending to move an amendment to provide the Mayor and the Chief

# Agenda Item 5

Legal and Democratic Officer with a written copy of the amendment in an approved template before moving the amendment. This ensures the wording of the proposed amendment is clear and understood and gives an opportunity for the validity of the amendment to be considered before it is formally moved.

- 1.3 It is not uncommon for members to seek the view of the Chief Legal and Democratic Officer on the validity of an amendment in the days leading up to a Full Council. However, some amendments are moved during the debate on a motion without any prior notification to the Mayor and the Chief Legal and Democratic Officer.
- 1.4 Members in the chamber don't become aware of an amendment until the point it is moved.
- 1.5 With the onset of the global Covid-19 pandemic in 2020 the government introduced the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 (the "Regulations") pursuant to the powers contained within section 78 of the Coronavirus Act 2020. The regulations allowed local authorities to hold remote meetings where members did not have to be in the same room at the same time to hold a valid meeting and make valid decisions.
- 1.6 This required the Council to introduce changes to its normal practice and procedures for decision making. One of the changes was the manner in which amendments to motions at Full Council were dealt with. The temporary process that was introduced was that a notice of an amendment must be emailed to the Chief Legal and Democratic Officer no later than 4pm on the day before the Full Council meeting with the name of the mover and seconder in the agreed template. If approved as a valid amendment the notice of amendment was circulated to all members by email no later than 4pm on the day of the Full Council meeting.
- 1.7 The revised procedure worked well and allowed the Chief Legal and Democratic Officer and other Chief Officers appropriate time to consider the validity of the proposed amendment and often liaise with the mover of the proposed amendment to improve the drafting of the proposed amendment to ensure that it was valid and appropriate.
- 1.8 Emailing notice of a proposed amendment to all members by 4pm on the day of the meeting provided improved transparency and allowed members with more notice of the amendment to assist with them arriving at their position on the amendment.
- 1.9 The Regulations ceased to be effective from the 7<sup>th</sup> May 2021.

## **2 Proposal**

- 2.1 Notwithstanding the fact that local authorities must now hold meetings in person it is recommended that the process for dealing with amendments to motions at Full Council used during the period the Regulations were valid be maintained and the Constitution be amended accordingly.

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2.2 The recommendation is that:

2.2.1 A notice to amend a motion at Full Council must be emailed to the Chief Legal and Democratic Officer by 4pm on the day before a Full Council meeting and state the name of the mover and seconder.

2.2.2 The notice of amendment will be emailed to all members no later than 4pm on the day of the Full Council meeting and a hard copy will be available in the Council Chamber.

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# Agenda Item 6

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 23 June 2021
<b>Subject:</b>	Corporate Risk Management		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	All
<b>Portfolio:</b>	Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

The Corporate Risk Register is presented to each meeting of the Audit and Governance Committee. Since the last Committee meeting in December 2020, the Corporate Risk Register has been reviewed and updated.

There have been two new risks which have been added or escalated from the Service Risk Registers to the Corporate Risk Register.

- Gaps in understanding of community needs
- School debts transferring back to the Council in the event of them being forced into academy status or closing

No risks have been de-escalated from the Corporate Risk Register to the Service Risk Registers.

One risk has not been updated with revised content or confirmed that it remains up to date and this is:

- Failure to manage pandemic

The risks have been re-scored in accordance with the revised assessment guidance included in the Corporate Risk Management handbook which was approved by the Committee in December 2020.

Although there has been substantial work undertaken over the past six years to embed risk management across the Council there is a gap in delivering key aspects of the Corporate Risk Management Handbook such as the regular updating of Service Risk Registers and Operational Risk Registers. Key actions have been set out to address these findings.

A presentation on one of the risks within the Corporate Risk Register, impact to the

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Sefton economy, will be provided to Members at June meeting.

**Recommendation(s):**

(1) Consider the updated Corporate Risk Register, noting the nature of the major risks facing the Council, and the controls and planned actions in place to mitigate these.

**Reasons for the Recommendation(s):**

A robust system of risk management will assist the Council in meeting its identified objectives

**Alternative Options Considered and Rejected:** (including any Risk Implications)

None.

**What will it cost and how will it be financed?**

**(A) Revenue Costs** - There are no direct financial implications arising from this report. However, the Council benefits from the work of the Risk and Audit section in reducing the potential impact and likelihood (and therefore the costs) of the risks identified.

**(B) Capital Costs** - There are no direct capital cost implications arising from this report.

**Implications of the Proposals:**

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> There are no direct resource implications.	
<b>Legal Implications:</b> There are no legal implications.	
<b>Equality Implications:</b> There are no equality implications.	
<b>Climate Emergency Implications:</b>	
The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y
The report provides a summary of the risks identified and managed that will impact on the delivery of the Council's purpose. There is not a risk that has been identified around Climate Change and as the report itself does not outline any actions that should be	



undertaken that will impact on the climate emergency the impact of the report is judged to have a neutral impact.

**Contribution to the Council’s Core Purpose:**

Identifying, assessing and managing risks effectively will help to ensure the delivery of the Council’s core purpose.

Protect the most vulnerable: Positive impact
Facilitate confident and resilient communities: Positive impact
Commission, broker and provide core services: Positive impact
Place – leadership and influencer: Positive impact
Drivers of change and reform: Positive impact
Facilitate sustainable economic prosperity: Positive impact
Greater income for social investment: Positive impact
Cleaner Greener; Positive impact

**What consultations have taken place on the proposals and when?**

**(A) Internal Consultations**

The Executive Director of Corporate Resources and Customer Services (FD.6424/21) and the Chief Legal and Democratic Officer (LD.4625/21) have been consulted and any comments have been incorporated into the report.

**(B) External Consultations**

None

**Implementation Date for the Decision**

Immediately following the Committee meeting.

<b>Contact Officer:</b>	David Eden
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<b>Email Address:</b>	david.eden@sefton.gov.uk

**Appendices:**

The following appendices are attached to this report:

# Agenda Item 6

- Corporate Risk Register – June 2021

## **Background Papers:**

There are no background papers available for inspection.

### **1. Introduction/Background**

- 1.1 Risk Management is defined as ‘systematic application of principles, approach and processes to the task of identifying and assessing the risk and the planning and implementing of risk responses.’
- 1.2 The Risk Management Strategy included in the Corporate Risk Management Handbook, which is presented to the Audit and Governance Committee on an annual basis for approval, states that
  - 1.2.1 “Risk Management is to be an integral part of the planning and decision-making processes of the Council and that the Strategy is intended to ensure that Risk Management is embedded in the overall planning process.
  - 1.2.2 Risk management is a central part of Sefton’s strategic management and its corporate governance. Effective risk management makes sound business sense and is good management. The focus of good risk management is the identification and treatment of risk.
  - 1.2.3 Risk management should be a continuous and developing process which runs throughout the Council’s activities. A systematic approach to identifying and analysing risks is an integral part of all management processes and day-to-day working, rather than a separate initiative.”
- 1.3 Whilst the process of risk management is routinely undertaken within the Council in a number of areas, both at a strategic level and operationally, it is recognised that there is still scope, to develop a more integrated risk management approach. This report seeks to continue the process of formalising a system of robust Corporate Risk Management and embedding this into the organisation. The Corporate Risk Management Handbook outlines that there should be three tiers of risk registers in place across the organisation which are identified through the scoring of the risks:
  - Corporate Risk Register – risks scored at 16 plus and these are the key risks affecting the Council
  - Service Risk Registers – risks scored between eight and 15 which are owned and managed by the Head of Service.
  - Operational Risk Registers – risks scored at seven and below which are owned and managed by Service Managers
- 1.4 An updated Corporate Risk Register is presented at each meeting of this Committee. The Corporate Risk Register has been shared with and reviewed by senior officers to ensure that the risk register reflects the most significant risks facing the Council. The completion of a risk register also demonstrates that the Council has set out an approach to mitigate the risks that have been identified. The updated Corporate Risk Register is set out at Appendix A, using the revised scoring approved by Members in December 2020, for noting by the Committee.

- 1.5 The Service Risk Registers are owned and should be reviewed by the Heads of Service on a quarterly basis and provided to the Risk and Audit team for information. The completed Service Risk Registers are used by Audit as an agenda item in the formal quarterly meeting with the Heads of Service and are also used for the monthly budget meetings that are held by Finance with the Service Management teams.
- 1.6 The Operational Risk Registers are owned and revised by Service Managers. Members may remember that the Risk and Resilience Team assisted by the Internal Audit Team completed an exercise in 2018/19 to fully implement this tier of risk registers across the organisation facilitating the completion of over 70 risk registers. This exercise was completed in March 2019. The Risk and Audit Team assisted by the Internal Audit Team work with the individual teams to facilitate regular reviews of the risk registers which will help to embed risk management at the centre of the Council's activities.

## **2. Key Developments**

### 2.1 Corporate Risk Register

- 2.1.1 Since the March 2020 update to the Audit and Governance Committee, the Corporate Risk Register has been reviewed and updated.
- 2.1.2 There have been two new risks which have been added or escalated from the Service Risk Registers to the Corporate Risk Register. These risks are:
- Gaps in understanding of community needs
  - School debts transferring back to the Council in the event of them being forced into academy status or closing
- 2.1.3 No risks have been de-escalated from the Corporate Risk Register to the Service Risk Registers.
- 2.1.4 One risk has not been updated with revised content or confirmed that it remains up to date and this is:
- Failure to manage pandemic
- 2.1.5 The scoring of the risks has been reviewed by the risk owners in line with the revised scoring matrix approved by the Committee in December 2020.
- 2.1.6 Although there has been significant work put into the Corporate Risk Register to ensure it fully reflects the risks surrounding the completion of the organisation's objectives there is further progress required to ensure that strategic external risks, for example Climate Change, are formally identified and included in the risk register if appropriate.

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## 2.2 Service Risk Registers

- 2.2.1 The March update highlighted that the position on the completion of the quarterly updates on the Service Risk Registers (SRR), in line with the requirements detailed in the Corporate Risk Handbook, would be provided to the Committee indicating how many had been updated and shared with the Risk and Resilience Team. A copy of the SRR is requested at the same time updates for the Corporate Risk Register are requested.
- 2.2.2 A total of eight (72%) SRR have been provided for 1<sup>st</sup> quarter 2021 with three SRRs replacing existing SRRs that were nine months old or longer. In this reporting cycle, in four (50%) cases the SRRs were provided late
- 2.2.3 The above findings indicates that in the last 18 months service risk registers in some services are not being updated consistently, on a quarterly basis, as they should be in accordance with the Corporate Risk Management handbook and good risk management practice. Whilst certain services have been disproportionately affected by the pandemic during this period, there is a need to improve this area of risk management moving forward.

## 2.3 Proposed actions

- 2.3.1 in order to address the issues identified and to get assurance around operational risk registers, all Heads of Service have been engaged and the following actions agreed in order to improve risk management and its reporting:
- 2.3.2 The Risk and Audit Team using resources from across the function will be request details of Operational Risk registers during the next quarter and will involve the Heads of Service in any escalation process. The outcome of this will be provided to officers as well as to the next meeting of Audit and Governance Committee
- 2.3.3 Heads of Service will consider whether the corporate risk register should be developed further to take account of wider strategic risks facing the organisation.
- 2.3.4 It is important that risk is an agenda item on the Departmental Management Team in each of the Service Areas on at least a quarterly basis.
- 2.3.5 The Sharing of the Service Risk Register with the relevant Cabinet Member will take place on a quarterly basis.
- 2.3.6 The Audit and Governance Committee approved Corporate Risk Register to be posted on the intranet Risk and Resilience page with notification to be sent on the intranet news for all staff. **(completed)**
- 2.3.7 An e-learning package on risk management is to be launched across the Council during the next 12 months.

## 2.4 Implications of the current position

- 2.4.1 Substantial work has been undertaken to attempt to embed risk management across the Council over the past six years through designing a risk framework,

providing training and facilitating the Service and Operational Risk Registers using resources across the Risk and Audit Team outside of the Risk and Resilience Team.

2.4.2 There is a clear evidence of engagement by the leadership team in terms of regularly reviewing the Corporate Risk Register however there is a gap in fulfilling the other aspects of the Council's risk management framework.

2.4.3 The above actions in 2.3 are essential to assist the Council in embedding risk management effectively across the organisation.

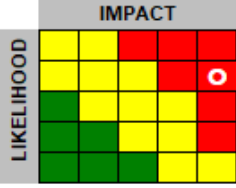
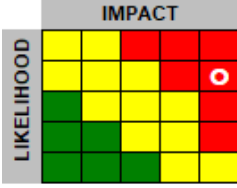
## 2.5 Presentation to the June Audit and Governance Committee Meeting

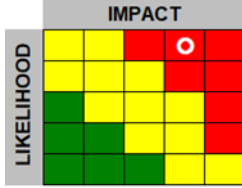
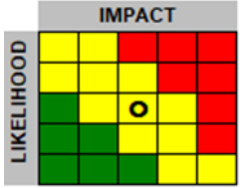
2.5.1 At the Audit and Governance Committee in December 2019 it was agreed that for each meeting a short presentation would be made by a risk owner on one of the risks from the Corporate Risk Register. The briefing, in line with good practice on risk management, should be on the background to the key risk, the current controls and the actions to mitigate the risk further. A presentation on the Sefton economy will be provided to Members at the June 2021 meeting.

## 3. **Recommendation**

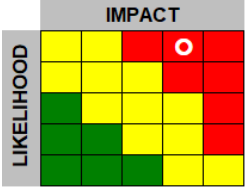
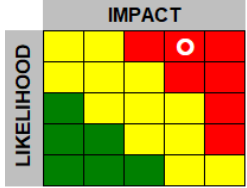
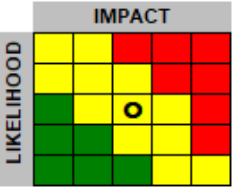
3.1 Members are requested to note the revised Corporate Risk Register and the update on the Council's Risk Management framework.

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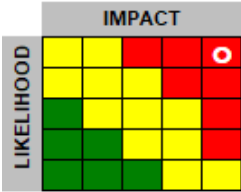
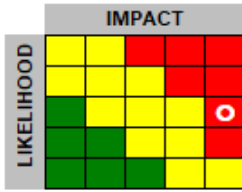
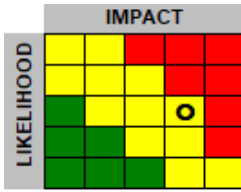
Risk Description	Previous risk score	Current risk score	Target risk score
<p>Significant impact on Service Delivery for Planning and Sefton LA</p>			
<b>Causes</b>	Government are completing an overhaul of Planning System		
<b>Result</b>	Impact - Requirement to review and amend local plan, impact on financials as creates a removal of revenue. Loss of control with potential impact on Town Centre Recovery and Community cohesion		
<b>Current treatments and controls</b>	Added on 05.08.20 impact and associated actions not yet known, requires escalation onto CRR As controls and Govt detail become clearer the impact will be re-assessed and this may be removed from CRR.		
<b>Risk owner</b>	DM		
<b>Proposed actions</b>	The Actions associated are still to be defined and finalised as Government guidance on requirements still needs further clarity, maintain on the CRR		

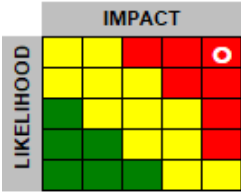
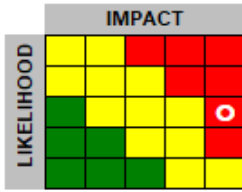
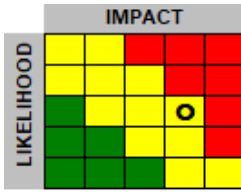
Risk Description		Previous risk score	Current risk score	Target risk score
Gaps in understanding of community needs		New risk – no previous score recorded	 <p>A 5x5 risk matrix with 'LIKELIHOOD' on the y-axis and 'IMPACT' on the x-axis. The matrix is color-coded: Green (Low), Yellow (Medium), and Red (High). A red circle is placed in the top-right cell (High Impact, High Likelihood).</p>	 <p>A 5x5 risk matrix with 'LIKELIHOOD' on the y-axis and 'IMPACT' on the x-axis. The matrix is color-coded: Green (Low), Yellow (Medium), and Red (High). A black circle is placed in the middle cell (Medium Impact, Medium Likelihood).</p>
<b>Causes</b>	Lack of community response to request to complete census Low response rates to census in certain wards			
<b>Result</b>	<ul style="list-style-type: none"> <li>The Council uses the information gathered in the census to plan and inform service decisions. Gaps in the information gathered in the census decreases the quality of information available to the Council</li> <li>Financial sustainability could be compromised</li> </ul>			
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>Completion of the Census Day 2021 promoted via Council's Social Media and News Channels</li> <li>Promotion of the Census included Council building being lit up</li> <li>National Census team encouraging participation by direct contact with individuals in areas of low take up</li> <li>Targeted social media to areas of low up take to encourage completion of Census after Census Day</li> </ul>			
<b>Risk owner</b>	ED CR&CS			
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>Continue with targeted social media to areas of low up take to encourage completion of Census after Census Day</li> <li>Make ward members, service areas and appropriate partners aware of areas of low participation so that they can encourage participation</li> </ul>			


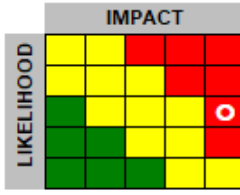
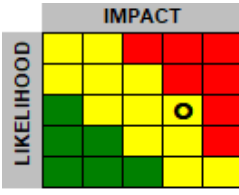


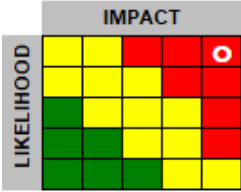
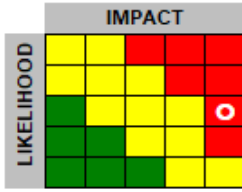
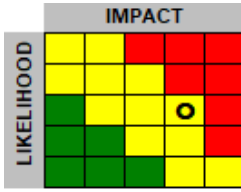
Risk Description	Previous risk score	Current risk score	Target risk score
<p>Failure to effectively manage and support the response to a pandemic incident</p>			
<p><b>Causes</b></p>	<p>Major pandemic incident occurs where there are multiple community outbreaks of COVID-19 impacting on the local area and staff. Recovery plans not in place.</p>		
<p><b>Result</b></p>	<ul style="list-style-type: none"> <li>• Increased morbidity and mortality</li> <li>• Reduced capacity across the Local Authority and partner organisations.</li> <li>• 20-35% staff absences anticipated in services across the Local Authority and partner organisations.</li> <li>• Services delivery reduced as a result of the implementation of business continuity.</li> <li>• Increased demand of services in response to outbreaks.</li> <li>• Increased social anxiety.</li> <li>• Services, businesses and schools being temporarily closed.</li> <li>• Surge of demand in supply chains.</li> <li>• Negative socio-economic impact.</li> <li>• High level of media and public interest in the Council's actions</li> <li>• Loss of reputation</li> </ul>		
<p><b>Current treatments and controls</b></p>	<ul style="list-style-type: none"> <li>• Sefton Council Strategic Coordination Group (SCG) for COVID-19 established and meeting weekly. Sefton Governance structure and operational response cells in place to manage impacts of COVID- 19 and support Sefton residents, businesses and delivery of council services. Sefton operational cells align to multi-agency workstreams on the Merseyside Resilience Forum (MRF), Liverpool City Region and other regional / North West forums.</li> <li>• Engagement with the Merseyside Resilience Forum (MRF) and participation in twice weekly multi-agency Strategic and Tactical Co-ordination Groups to manage response to COVID-19 impacts for Merseyside. Sefton Officers chair, lead and are active members of multiple MRF multi-agency response cells working across the Merseyside footprint and linked into national government via MHCLG.</li> <li>• Enhanced partnership working with Sefton based agencies to deliver effective response outcomes e.g. Sefton CVS, CCGs, Health agencies, Care Homes, schools and private sector organisations.</li> <li>• Enhanced working practices to facilitate remote, agile and home working for majority of staff. Robust IT systems to allow virtual meetings and extended customer contact centre opening hours. Co-ordinated approach to recruit and mobilise volunteers/council staff to deliver support to Sefton residents/communities who become vulnerable to the impacts of the pandemic. Re-prioritisation of council activities and re-direction of staff roles to provide support where it most needed or to enhance capacity for service areas that become severely under staffed as a result of increase in demand or loss of personnel able to work.</li> </ul>		

	<ul style="list-style-type: none"> <li>• Pro-active Communications strategy for public facing, internal and multi-agency working, co-ordination of information and guidance updates and out of hours on call Comms rota.</li> <li>• Links to national guidance and Gov.uk latest information repository pushed out via staff intranet, social media and other partner communications /news platforms.</li> <li>• Sefton Major Incident Guidance Document/Sefton Business Continuity Policy/Sefton Business Continuity Strategy/Service Area COVID-19 BC plans/E- learning module on Business Continuity</li> <li>• Sefton dedicated and knowledgeable teams including Public Health Team and Risk and Resilience Function</li> <li>• Continuous reinforcement of hand hygiene and infection control messages from Public Health both internally and externally.</li> <li>• Regular Communications from HoS and Senior Managers to staff with regard to observation of social distancing and on-going 'stay safe' COVID-19 advice including continue to work at home wherever possible.</li> <li>• Outbreak Board chaired by Leader meeting weekly. Wider partnership outbreak board meeting bi-weekly.</li> <li>• Additional public health staff recruited to strengthen health protection response</li> <li>• Locally supported contact tracing service in place.</li> <li>• Community and targeted asymptomatic Lateral Flow testing in place.</li> <li>• Surge testing completed in three wards in Southport in response to identification of Variant of Concern</li> </ul>
<b>Risk owner</b>	DPH/CEO
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Review Council Pandemic Plans, including the Outbreak plan in response to publication of COVID-19 Response Spring 2021</li> <li>• Asymptomatic testing plan to be reviewed in light of expanding national testing streams</li> <li>• Contact tracing service will flex in response to changing rates of infection and provide additional cover (testing, vaccine promotion etc) as wider Council workforce return to routine duties.</li> <li>• Funding secured to develop Community Connectors programme</li> <li>• MRF multi-agency Strategic Recovery Co-ordinating Group planning in development.</li> <li>• Place based planning in progress</li> </ul>

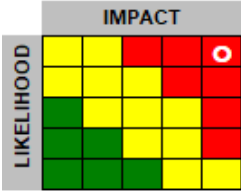
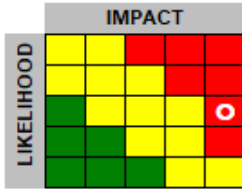

Risk Description	Previous risk score	Current risk score	Target risk score
<p>The Council is the victim of a cyber-attack.</p>			
<b>Causes</b>	Malware, ransomware or another virus infects the Council's systems.		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Services will not have access to systems and data as standard and will have to fall back on non-ICT delivery methods, albeit without access to key data.</li> <li>• Data breach occurs.</li> <li>• Financial impact of ransom.</li> <li>• Reputational damage</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Cyberattack prevention measures are in place, including <ul style="list-style-type: none"> <li>- Upgraded Council firewalls and active SIEM monitoring service.</li> <li>- Anti malware tools</li> <li>- New Acceptable use policy ready for deployment</li> <li>- LGA Stocktake completed</li> <li>- PSN Accreditation achieved</li> <li>- New security standards for email encryption implemented</li> </ul> </li> <li>• Back-up disaster recovery facility is in place at a separate site, allowing Agilisys to restore the top 20 critical systems.</li> <li>• Agilisys has a Business Continuity-Disaster Recovery plan in place which covers an action plan for this priority restoration, and the subsequent restoration of all other systems - this is aligned to the Business Continuity work programme</li> <li>• Ongoing monitoring in in place via ICT governance arrangements</li> <li>• Windows Defender anti-virus software is constantly updated alongside ESET also deployed</li> <li>• Communication to employees regarding the rise in malware attacks is in place, with plans to roll out better user education on this topic.</li> </ul>		
<b>Risk owner</b>	ED CR&CS		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• The ongoing ICT Transformation programme will see the majority of systems and data migrated to Microsoft Azure cloud hosting, which will reduce the overall risk; however, a review of all security controls is underway by the Security Committee</li> <li>• Deployment of industry standard ESET solution in progress</li> <li>• Formal rollout of Cyber Security Awareness training.</li> <li>• Develop new Business Continuity-Disaster Recovery plan in line with wider Corporate review of Business Continuity</li> </ul>		

Risk Description	Previous risk score	Current risk score	Target risk score
Financial sustainability beyond 2021/22			
<b>Causes</b>	<ul style="list-style-type: none"> <li>The national review of local government funding and the next comprehensive spending review and subsequent 3 year financial settlement places further strain on the Council's overall medium term budget.</li> <li>Due to the scale of budget reductions since 2010 there is a risk that further suitable cost-saving/income generating measures will be difficult to identify. The current pandemic will also significantly affect both the in year and future years budget pending advice and further support from central government.</li> <li>The impact of the Global pandemic will also have an impact on the councils finances with increased demand for services, a reduction in income and reductions in collection Fund income</li> </ul>		
<b>Result</b>	<ul style="list-style-type: none"> <li>Degradation of service could have an adverse impact on residents and communities</li> <li>The reputation of the Council may be compromised</li> <li>Financial sustainability could be compromised</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>The financial sustainability of the council at this time will be driven by the support offered by central government to mitigate the impact of COVID 19. The spending review announcement on 25 November and subsequent local government finance settlement in December 2020 informed the budget package for 2021/22 that was approved by Council on 4 March 2020. This budget will be monitored in 21/22 in the same way as in 20/21 ie focussing on the approved budget, impact of the pandemic and impact on the collection fund. The budget report clearly sets out the risks that will exist in 2021/22 and that remedial actions maybe required. As stated the level and nature of government support aligned with national and local restrictions will be key influencing factors. Within the budget report is a defined approach to setting the 22/23 to 24/25 budget and the propose move to setting multi year budgets if possible. This has served the council well since 2010</li> </ul>		
<b>Risk owner</b>	ED CR&CS		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>Deliver the Councils Budget Plan for 2021/22 that was approved on 4 March 2021</li> <li>Commence the development of the MTFP for the 3 years from 2022/23 to 2024/25 in advance of the 3 year comprehensive spending review due in October 2021, taking particular account of the risks posed in the collection fund and Children's Social Care</li> <li>Start the development of budget proposals for 2022/23 to 2024/25 as part of the Framework for Change 2020 taking full account of COVID19</li> <li>Inform the governments fair funding review and comprehensive spending review and lobby for additional support to mitigate the impact of COVID 19</li> </ul>		

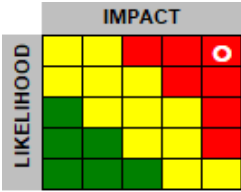
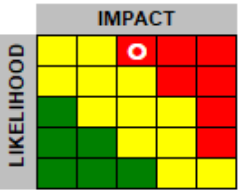
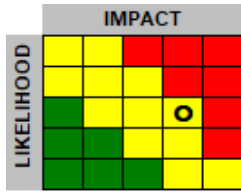
Risk Description	Previous risk score	Current risk score	Target risk score
Data breach resulting in the wrongful release of personal and/or sensitive information			
<b>Causes</b>	Policies and processes coordinated by Information Management and Governance Executive Group are not adhered to, resulting in a higher incidence of breaches caused by human error System error occurs		
<b>Result</b>	Failure to comply with legal requirements; loss of privacy, distress or harm to the data subject; damage to Council's reputation; loss of public confidence; and significant financial penalties.		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>Information management and governance, including data breaches and actions to prevent data breaches, is overseen by the Information Management and Governance Executive Group (IMGEG), which consists of Heads of Service with lead responsibilities for key aspects of IMG (i.e. designated Data Protection Officer/IG Lead, Senior Information Risk Owner and Lead officer for ICT infrastructure) supported by other officers with key roles relating to IMG</li> <li>Each service has designated Information Asset Owners and Information Asset Administrators. Policies, procedures, processes and issues are communicated to these officers through the Information Management and Governance Tactical Group.</li> <li>Support, co-ordination, advice and guidance is provided corporately and appropriate training/refresher training is in place.</li> <li>The Council has implemented policies, procedures and processes to prevent, manage and respond to potential and actual data breaches.</li> </ul>		
<b>Risk owner</b>	All Heads of Service		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>Appropriate resourcing, prioritisation and focus on information management and governance across the Council include the following: Regular monitoring and review by IMGEG of policies, procedures and processes to prevent, manage and respond to potential and actual data breaches.</li> <li>Ongoing review of information systems to ensure no inappropriate or unforeseen data linkages exist within systems or reports. Review of systems ahead of updates to identify any unintended changes.</li> <li>Ongoing education of staff and monitoring of activity by IAOs and IAAs to identify and prevent areas of human error.</li> <li>Regular review of information contained to ensure information is accurate and any information that should be removed is removed.</li> <li>Regular reporting by IMGEG to SLB and Audit and Governance Committee as necessary</li> <li>Maximise the opportunities from the Council's ICT Transformation to increase and embed effective information management and governance</li> </ul>		

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Failure to manage historic records effectively</p>			
<b>Causes</b>	<p>The risk is amplified by the implementation of GDPR (in particular the right to erasure and tighter deadlines for response to Subject Access Requests). In addition, the Council's Asset Maximisation programme which may lead the Council to leaving, redeveloping or selling buildings where records are held and moving to Paper Light working arrangements.</p>		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Failure to comply with legal requirements relating to retention, consideration, release or correct disposal of historical information; damage to Council's reputation; loss of public confidence; and significant financial penalties.</li> <li>• Historical information is not stored or managed correctly, such that it is lost, damaged or incorrectly disposed of</li> <li>• Not known to the organisation when making relevant decisions; retained when it should have been correctly disposed of.</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Information management and governance is overseen by the Information Management and Governance Executive Group (IMGEG), which consists of Heads of Service with lead responsibilities for key aspects of IMG (i.e. designated Chief Information Officer; Senior Information Risk Owner; and Lead officer for ICT infrastructure), supported by other officers with key roles relating to IMG.</li> <li>• Each service has designated Information Asset Owners and Information Asset Administrators. Policies, procedures, processes and issues are communicated to these officers through the Information Management &amp; Governance Tactical Group.</li> <li>• Support, co-ordination, advice and guidance is provided corporately and appropriate training/refresher training is in place.</li> <li>• The Council has implemented policies, procedures and processes for the management of information and has in place corporate contracts for appropriate digitisation, disposal and archive storage services.</li> <li>• The Council has implemented a Historic Records Pilot Project to identify the scale, condition and correct management of all historic records held. This project reports regularly to IMGEG.</li> <li>• Regular monitoring and review by IMGEG of policies, procedures and processes to prevent, manage and respond to potential and actual data breaches.</li> <li>• Regular communications to workforce reminding them of training and responsibilities.</li> </ul>		
<b>Risk owner</b>	<p>All Heads of Service</p>		

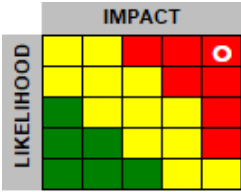
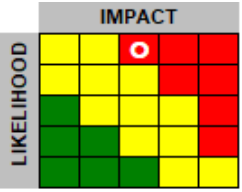
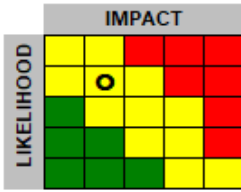
<p><b>Proposed actions</b></p>	<ul style="list-style-type: none"> <li>• Appropriate resourcing, prioritisation and focus on information management and governance across the Council, including support for Information Asset Owners and Information Asset Administrators including action on the following.</li> <li>• Regular monitoring and review by IMGEG of policies, procedures and processes for the management of information, including historic information.</li> <li>• Regular monitoring and review by IMGEG of the progress and implications of the Historic Records Pilot Project, including reporting to SLB and Audit and Governance Committee as necessary.</li> <li>• Maximise the opportunities from the Council's ICT Transformation to increase and embed effective information management and governance.</li> <li>• Commission training to improve understanding of data handling requirements and checks and controls</li> <li>• Ongoing education of staff and monitoring of activity by IAOs and IAAs to identify and prevent areas of human error.</li> </ul>
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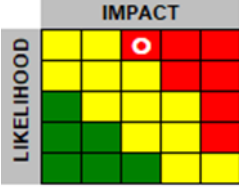
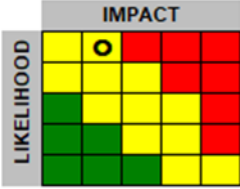
Risk Description	Previous risk score	Current risk score	Target risk score
<p>Inadequate capability to prepare for and respond effectively to a major incident affecting the Council or occurring in Sefton as per the Council's responsibilities under the Civil Contingencies Act 2004.</p>			
<b>Causes</b>	<p>A major incident occurs affecting the Council or the Borough. This risk is accentuated as the government has determined the terror threat level as "severe" and was raised to "critical" on two occasions in 2017.</p>		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Loss of human life, illness or serious injury</li> <li>• Major damage or destruction to infrastructure, property and/or the environment</li> <li>• Disruption or loss of critical services such as transport, communications, utility services</li> <li>• Reputational or financial harm to the authority</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Emergency Response Manual and Major Incident Guidance in place.</li> <li>• Revised Command and Control structure in place which defines Strategic and Tactical level officers.</li> <li>• Emergency Duty Co-ordinators invited to attend quarterly briefing sessions, and all are able to access Resilience Direct containing incident response plans.</li> <li>• Relevant training provided to Emergency Duty Co-ordinators and volunteers on an ongoing basis.</li> <li>• Attendance and participation in Merseyside Resilience Forum and joint planning across Merseyside.</li> <li>• Humanitarian volunteers in place and team strengthened following successful recruitment drive.</li> <li>• Plans for response and recovery are the subject of ongoing review and update, particularly in light of the government's assessment of the terror threat level as "severe".</li> <li>• Ongoing development and review of supporting plans.</li> <li>• Business Impact Analysis training for the Risk and Resilience team has been completed. This has resulted in the production of BIAs for all service areas.</li> <li>• Business Continuity Policy and strategy have been devised and approved.</li> </ul>		
<b>Risk owner</b>	<p>All Heads of Service</p>		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Business Continuity Planning Implementation Plan has been devised and is currently being implemented. This includes the following:</li> <li>• Service Level Business Continuity Plans will be complete by end June 2021.</li> <li>• Sefton Corporate Level Business Continuity Plan to be produced by end June 2021.</li> <li>• Business Continuity Testing and exercising to be undertaken.</li> </ul>		



Risk Description	Previous risk score	Current risk score	Target risk score
<p>Dedicated Schools Grant High Needs Funding for Special Educational Needs is inadequate to meet requirements.</p>			
<p><b>Causes</b></p>	<ul style="list-style-type: none"> <li>• High Needs budgets are under considerable pressure from increasing numbers of children being diagnosed with complex and life-long SEND related issues.</li> <li>• National funding allocations are not increasing annually to reflect increases in local population demand and so any additional commissioned places need to be financed from within existing budget envelope.</li> <li>• The number and value of requests from mainstream schools for "top-up" funding (for children with SEND) continues to increase year on year as schools face financial pressures to meet the first £6k of any SEN Support.</li> <li>• Maintained special school provision is full and so more and more children are being placed in independent provision which is more expensive. Whilst this issue is being addressed in 2021/22 through extra In-House provision, there remain risks that external placements may continue at high additional cost.</li> <li>• Central Government have advocated parental preference for SEND provision - which has added to the number of children being placed in independent provision - with no additional funding</li> </ul>		
<p><b>Result</b></p>	<ul style="list-style-type: none"> <li>• Sefton's High Needs budget is forecast to overspend by £3.3m this financial year (2020/21) and this will increase the balance sheet deficit on High Needs to around £8.7m. In 2021/22, despite a considerable increase to Sefton's High Needs Funding allocation of over £3.1m, there is still a forecast overspend for 2021/22 of £1.5m, which would take balances on High Needs to a deficit of £10.2m by the end of 2021/22, unless this can be addressed.</li> <li>• The estimated deficit on the high needs block will be held on the Council's Balance Sheet. The DfE do not expect the Local Authority's General Fund to cover accumulated deficits, however the size of the deficit is continuing to increase.</li> </ul>		
<p><b>Current treatments and controls</b></p>	<ul style="list-style-type: none"> <li>• Report to Cabinet on work programme , timescales and objectives</li> <li>• Engagement with Head of Education Excellence and the SEN team Managers on how costs can be contained.</li> <li>• Sufficiency statement produced that will drive future strategy and financial sustainability</li> <li>• Lobbying and engagement of both DfE and MCCLG on financial impact and the need for increased support</li> <li>• Engagement with special schools actively working with individual schools to review impact of any proposed changes to their funding, reviewing three-year financial plans, identifying any strategic savings to mitigate high calls on DSG High Needs funding.</li> <li>• Review of place and top up levels of funding.</li> <li>• In addition, further work is being undertaken on alleviating the barriers to inclusivity within mainstream settings and assessment of effectiveness of capital spend to maximise mainstream settings for children and young people.</li> </ul>		

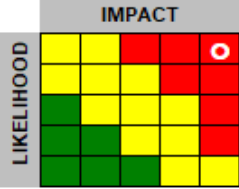
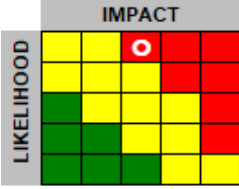
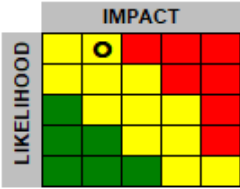
	<ul style="list-style-type: none"> <li>• Sefton Schools Forum has agreed to the continuation for an additional year of intra-block funding decisions made in 2020/21 to increase funding available in 2021/22.</li> <li>• The transfer of 0.25% (£0.430m) from the Schools Block to the High Needs Block, will target funding towards supporting the most inclusive schools.</li> <li>• The National High Needs Block formula funding allocation to Local Authorities has increased by £780m in 2020/21; and by a further £730m in 2021/22 as part of a three year funding agreement compared to the 2019/20 baseline. Sefton’s share of the additional funding in 2021/22 after deductions for directly funded schools by the ESFA and excluding increases for Teachers Pay and Pensions which was rolled into the HN Funding settlement, is £2.555m.</li> </ul>
<b>Risk owner</b>	Head of Education Excellence
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Lobbying of Government continues with a view to securing increased funding. Some LA s have been working in partnership with the DfE with agreement to have their High Needs deficits reduced over a 3 year period and Sefton will engage with the DfE to seek a similar agreement based on its work on a High Needs review and towards reaching a balanced budget position 2021/22 - 2022/23</li> <li>• The SEND Schools Forum is the Project Group tasked with implementing an action plan to address the annual overspend, cumulative deficit and bringing the budget back into an in-year balanced position for 2021/22 - 2022/23.</li> <li>• To date, two specific workstreams have been developed with LA and School representatives working on a number of key areas:</li> <li>• Developing a new funding model to support children with EHCPs;</li> <li>• Clarifying high needs funding outside of the EHCP process;</li> <li>• Reviewing provision and placement sufficiency.</li> <li>• Considering new ways of working with SEN children in schools, making them more cost effective and with good outcomes.</li> <li>• Review of the graduated response and supporting SEN leadership in schools.</li> </ul>

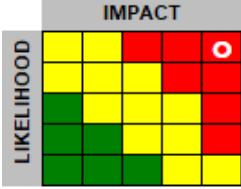
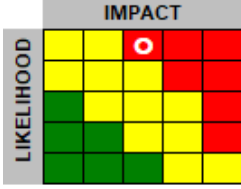
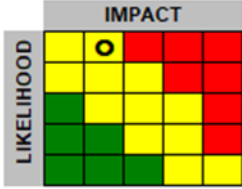
Risk Description	Previous risk score	Current risk score	Target risk score
<p>Failure to manage increasing demand for services within Children’s Social Care</p>			
<b>Causes</b>	<p>Increase in the number of children needing a CSC intervention including increase in LAC and CP Budgets reduced to meet Council Targets has had an impact on the delivery of early help services</p>		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Inability to cope with demand, increased safeguarding risks</li> <li>• Loss of reputation and poor inspection outcomes</li> <li>• Increase in budget pressures</li> <li>• Increase in Social Work Caseloads</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Regular audit of cases, scrutiny of data and understanding of demand to predict future demand (needs analysis)</li> <li>• Demand Management Programme as part of the next PSR projects in place with a number of workstreams to reduce demand for services</li> </ul>		
<b>Risk owner</b>	<p>HoCSC</p>		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Demand management workstream with project management</li> <li>• Recruitment of Support workers to undertake non - social work tasks</li> <li>• Managed Service in place to support reduced SW caseloads</li> <li>• Increased resource to discharge Care Orders at home</li> </ul>		

Risk Description	Previous risk score	Current risk score	Target risk score
<p>School debts transferring back to the Council in the event of them being forced into academy status or closing.</p>	<p>New risk – no previous score recorded</p>		
<p><b>Causes</b></p>	<p>Schools with Licensed Deficit Budget Agreements with the Council fail an OFSTED Inspection and the Secretary of State for Education issues and Academisation Order to transfer control of the school over to Multi Academy Trust. Governing Bodies of Schools with Licensed Deficit Budget Agreements are not provided assurance that the school can become viable and Elected Members agree to the closure of the school.</p>		
<p><b>Result</b></p>	<p>There are a minimal number of schools who are operating under a Notice of Concern as they have an agreed licensed deficit agreement with the Council or are projected to be in a deficit balance situation in 2020/21.</p>		
<p><b>Current treatments and controls</b></p>	<ul style="list-style-type: none"> <li>• All Schools must provide 3-year financial plan to the Council by 30th April each year and get agreement to operate under a Licensed Deficit Agreement.</li> <li>• Along with any Licensed Deficit Budget Agreement Schools are also given a Financial Notice letter which sets out the financial framework under which the Governors and Senior Members of the school must operate while they are in deficit.</li> <li>• Quarterly report to Cabinet Member Children, Schools and Safeguarding on overall financial risk to the Council and performance of each school against the agreed Licensed Deficit Plans.</li> <li>• Termly meetings with Head of Education Excellence and Finance staff with the Chair of Governors and Headteacher of each school operating under a Licensed Deficit Budget Agreement to discuss financial performance against agreed plan.</li> <li>• Discussion of financial performance of schools at termly Schools Causing Concern meetings where educational performance is also discussed and identifies schools that could fail any upcoming OFSTED Inspection.</li> <li>• The option for the Council to remove delegation from the school if an academy order is placed on the school and the Council has concerns regarding the overall deficit position of the school.</li> </ul>		
<p><b>Risk owner</b></p>	<p>HoEE</p>		
<p><b>Proposed actions</b></p>	<ul style="list-style-type: none"> <li>• Continued operation of Licensed Deficit Agreements and scrutiny of school financial plans and ongoing support to Governing Bodies</li> <li>• Meetings between the Council and the Liverpool Archdiocese to develop strategy to support a number of VA Schools who present a significant financial concern to the Council.</li> </ul>		

- |  |   |
|--|---|
|  | <ul style="list-style-type: none"><li>• Agreement from the DfE to provide the Council with additional financial support through its School Resource Management Advisory Team to review the finances of specific schools and give some external / independent advice on a school's finances.</li></ul> |
|--|---|

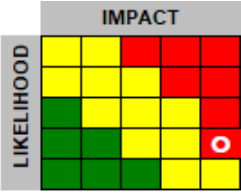
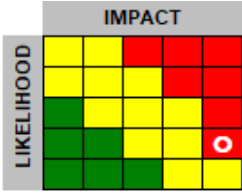
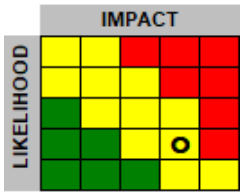
Risk Description		Previous risk score	Current risk score	Target risk score
Failure to plan within annual budget for increased placement costs for Children's Social Care				
<b>Causes</b>	Numbers of children in care increase, demand for placements cannot be met as cost increases. Impact of Covid 19 on demand Increased cost of placements			
<b>Result</b>	Costs increase and quality and sufficiency of placements decreases			
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Fortnightly meeting to monitor placement costs and reduce high cost placements</li> <li>• Programme of market reform in residential market</li> <li>• Focus on recruitment of in house foster carers</li> <li>• Work with LCR on a wider programme of market reform.</li> </ul>			
<b>Risk owner</b>	HoCSC			
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Development of market to meet need</li> <li>• Opportunities to collaborate across LCR to develop market</li> <li>• Regular review of budgets to identify and mitigate pressures</li> <li>• Project Management through Demand Management Workstream</li> </ul>			

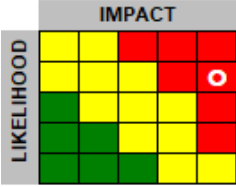
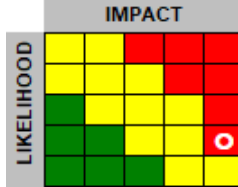
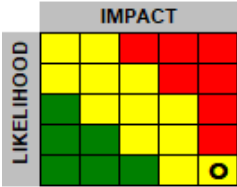
Risk Description	Previous risk score	Current risk score	Target risk score
Impact of regulatory framework and outcome of Joint Target Area Inspection			
<b>Causes</b>	Joint Target Area Inspection with a deep dive into Mental Health identified Priority Actions for the Partnership ILAC inspection likely to take place in the next 6 months		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Services are found to not adequately safeguard children</li> <li>• Reputational damage to the Council and Statutory partners</li> <li>• Significant impact on LA reputation if priority actions are not addressed</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Improvement plan in place to address Priority actions from the JTAI and mostly complete (some Covid 19 Impact)</li> <li>• Governance arrangements reviewed and strengthened with Children's Improvement Partnership Board reporting to Health and Wellbeing Board</li> <li>• Immediate actions taken to address Priority Actions across the partnership</li> <li>• QA framework in place including regular audit and external audit</li> <li>• Preparation in place for ILAC inspection</li> <li>• LGA have undertaken some independent audits of cases within CSC</li> <li>• Response to Improvement Plan submitted to Ofsted in March 2020 was that it indicated an accurate understanding of areas of priority action and findings of the joint inspection team.</li> </ul>		
<b>Risk owner</b>	HoCSC		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• CSC Improvement plan updated and actioned</li> <li>• Performance meetings to continue</li> <li>• Support via Partners in Practice to scrutinise effectiveness of partnership arrangements and permanence arrangements for children</li> <li>• Programme of audit and independent audit</li> </ul>		

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Failure to mitigate impacts of COVID-19, EU Exit, winter, austerity, on the Sefton economy</p>			
<p><b>Causes</b></p>	<ul style="list-style-type: none"> <li>• Lack of support for business</li> <li>• Lack of progress on projects that can support recovery</li> <li>• Lack of capital and revenue funding from government</li> <li>• Impact of wider issues on local businesses (e.g. national retailers)</li> <li>• Loss of key employers to the borough and towns, particularly Bootle and HMRC, Santander</li> <li>• Impact on key sectors (especially hospitality) in Southport</li> </ul>		
<p><b>Result</b></p>	<ul style="list-style-type: none"> <li>• Increased business failure</li> <li>• Increased unemployment</li> <li>• Financial and reputational risks to the Council</li> <li>• Impact on communities of port disruption, increased traffic, etc</li> <li>• Loss of reputation</li> <li>• Impact of wider economic change on residents, particularly the most vulnerable</li> </ul>		
<p><b>Current treatments and controls</b></p>	<p>Sefton Strategic Recovery - Economy Plan:</p> <ul style="list-style-type: none"> <li>• Plan currently being adapted to include in more detail the Covid-19 and EU Exit requirements.</li> <li>• The Sefton Economic Strategy (SES) Action Plan is being used as the "Foundation Document" for the Economic Recovery Plans</li> <li>• The SES A/Plan has been thoroughly reviewed and is fit for purpose for foundation of recovery planning.</li> </ul> <p>The SES A/Plan and associated recovery actions will report through the Economy Cell structure. The Economy Cell will report through the Growth board and Exec for Place.</p> <ul style="list-style-type: none"> <li>• Covid related Grants will be managed effectively as all previous e.g. discretionary Grants and will report through the Economy Cell.</li> <li>• Growth programme - Will ensure through regular review and Stewardships that projects if applicable focus on recovery for the Economy</li> <li>• Ongoing business and Employment support via InvestSefton and Sefton@Work in context of and when required focused on pandemic and of EU Exit</li> <li>• Full engagement in regional growth-related forums</li> </ul>		



	<ul style="list-style-type: none"> <li>• Establishment of multi-stakeholder working groups focused on recovery in key town centres.</li> <li>• Recovery planning activity in Southport underpinned by Town Deal opportunities</li> </ul>
<b>Risk owner</b>	HoEG&H
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Actively pursue opportunities for additional external funding via LCR/CA and HMG to develop projects</li> <li>• Investor proposition development and proactive business development activity to ensure attraction and retention of businesses and employers in the borough</li> <li>• Finalise Sefton-specific recovery plans and investor pack materials</li> <li>• Investor Material prepared (Mickledore) in sign off. Additional funding from all sources followed up, Recovery Plan (outward version) ready and prepared with Comms Team. Strategic Recovery Plan - Economy being re-visited in lieu of current changing circumstances</li> </ul>

Risk Description	Previous risk score	Current risk score	Target risk score
Market failure of Adult Social Care provision			
<b>Causes</b>	<ul style="list-style-type: none"> <li>• Lack of market engagement and market development due to lack of capacity and resource.</li> <li>• Capability and capacity of the available workforce to provide domiciliary care.</li> <li>• Lack of diversity of supply in the market to provide choice and control</li> </ul>		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Inability to provide packages of care for service users</li> <li>• Inability to maximise the opportunity of reablement</li> <li>• Lack of alternative providers able to support social care</li> <li>• Poor quality service provision</li> <li>• Significant increase in unmet needs of service users due to a fragile market that is not developing</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Market Position Statement 2020</li> <li>• Winter Planning/checklist</li> <li>• Health and Wellbeing Strategy 2020-2025</li> <li>• Integrated Commissioning Group</li> <li>• Centralised Commissioning Support function</li> <li>• Commissioning priorities and full work plan</li> </ul>		
<b>Risk owner</b>	HoASC/HoSS		
<b>Proposed actions</b>	<ul style="list-style-type: none"> <li>• Recovery and transition review to explore Workforce, process, commissioning and partnerships post pandemic</li> <li>• Winter Planning/checklist evaluation</li> <li>• Review and align strategic plans to current contracts to ensure Value for Money and objectives are met.</li> <li>• Continual cycle of review in ways of working</li> <li>• Development of new opportunities through working with LCR, CCG and wider commissioning partnerships.</li> <li>• Commissioning priorities and full work plan.</li> <li>• Workforce development of the independent workforce.</li> <li>• Ensure involvement of key stakeholders</li> <li>• As per commissioning workshop, review structure and workplan to deliver the above.</li> </ul>		

Risk Description	Previous risk score	Current risk score	Target risk score
<p>Failure to adequately invest in the Highway network and associated assets.</p>			
<b>Causes</b>	Budget reductions; inadequate funding levels to meet need.		
<b>Result</b>	<ul style="list-style-type: none"> <li>• Deterioration of highway assets</li> <li>• Potential increase in claims</li> <li>• Financial and reputational risks</li> <li>• Potential increase in accidents resulting in injury and/or death</li> </ul>		
<b>Current treatments and controls</b>	<ul style="list-style-type: none"> <li>• Essential work is prioritised within available budget. Regular inspections of most assets to monitor and guide prioritisation of works in order to mitigate risk.</li> <li>• Regular updates provided to Cabinet Member</li> <li>• Preventive surface treatments used to prolong the life of the network and to treat more of it than if more long-term maintenance solutions were used (i.e. resurfacing)</li> </ul>		
<b>Risk owner</b>	Ho H&PP		
<b>Proposed actions</b>	Actively pursue opportunities for additional external funding via LCR/CA and others to maintain and improve network.		

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# Agenda Item 7

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 23 June 2021
<b>Subject:</b>	Risk and Audit Service Performance		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b>	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

This report details the performance and key activities of the Risk and Audit Service for the period 7 March 2021 to 13 June 2021.

Note the change of the date of the Annual Opinion of the Chief Internal Auditor from the June 2021 meeting to the July 2021 meeting to approve the annual accounts.

## Recommendation(s):

Members are requested to:

(i) Note the progress in the delivery of the 2020/21 and 2021/22 Internal Audit Plans and the activity undertaken for the period 7 March to 13 June 2020/21.

(ii) Note the contributions made by the Health and Safety, Insurance, Assurance and Risk and Resilience teams in managing the Council's key risks

## Reasons for the Recommendation(s):

Approval of the recommendations will facilitate the continued provision of a comprehensive and effective Risk and Audit Service.

## Alternative Options Considered and Rejected: (including any Risk Implications)

Failure to provide an update on the progress, in particular, of the Internal Audit Service would be a breach of the Public Sector Internal Audit Standards.

## What will it cost and how will it be financed?

### (A) Revenue Costs

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There are no direct financial implications arising from this report. However, the Council benefits from the work of the section in reducing the impact and likelihood (and so the cost) of risk.

## **(B) Capital Costs**

There are no Capital costs associated with the report.

### **Implications of the Proposals:**

<b>Resource Implications (Financial, IT, Staffing and Assets):</b> There are no resource implications arising from the report	
<b>Legal Implications:</b> There are no legal implications identified in the report	
<b>Equality Implications:</b> There are no equality implications.	
<b>Climate Emergency Implications:</b> The recommendations within this report will	
Have a positive impact	Y
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y
<p>The Risk and Audit Team in line with Council and Government guidance during the lockdown has been working from home with the exception of the Health and Safety Team who undertake inspections of Council buildings to provide guidance and support.</p> <p>The working from home has reduced the teams commuting and as a consequence Carbon footprint. The revised working practices will continue with the proposed Council agile working although the footprint will slightly increase at this point as staff move to the one day per week in the office. There is currently no visibility when agile working will be introduced by the Council.</p> <p>We are currently exploring with the Council's insurers and broker their actions to reduce Climate Change which we will respond on in future reports.</p>	

### **Contribution to the Council's Core Purpose:**

Protect the most vulnerable: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.

<p>Facilitate confident and resilient communities: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.</p>
<p>Commission, broker and provide core services: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.</p>
<p>Place – leadership and influencer: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.</p>
<p>Drivers of change and reform: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.</p>
<p>Facilitate sustainable economic prosperity: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.</p>
<p>Greater income for social investment: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.</p>
<p>Cleaner Greener: Providing an effective assurance service and assisting with the embedding of risk management within the service areas delivering the Council's core purpose will help to ensure that the appropriate risks and controls are identified and in the case of controls are operating as designed. This approach will help to ensure that the Core Purpose is delivered.</p>

## **What consultations have taken place on the proposals and when?**

### **(A) Internal Consultations**

The Executive Director of Corporate Resources and Customer Services (FD.6413/21) and the Chief Legal and Democratic Officer (LD.4614/21) have been consulted and any comments have been incorporated into the report.

# Agenda Item 7

## (B) External Consultations

None

### Implementation Date for the Decision

Immediately following the Committee meeting.

<b>Contact Officer:</b>	David Eden
Telephone Number:	0151 934 4053
Email Address:	david.eden@sefton.gov.uk

### Appendices:

The following appendices are attached to this report:

- Risk and Audit Service Performance Report

### Background Papers:

The following background papers, which are not available elsewhere on the Internet can be accessed on the Council website:

- Internal Audit Plan 2020/21 (as approved by this Committee on 16 September 2020)
- Internal Audit Plan 201/22 (as approved by this Committee on 17 March 2021)

## 1. Introduction/Background

- 1.1 The Risk and Audit Service is managed by the Chief Internal Auditor, who reports to the Executive Director of Corporate Resources and Customer Services through the Finance Service Manager.
- 1.2 The mission of the service is “to deliver a first-class risk and audit service that is highly respected and valued by Sefton and is the envy of our peers”.
- 1.3 The Service has the following objectives:
  - To lead the Council in embedding a system of internal control and risk management that facilitates the achievement of the organisation’s objectives.
  - To be a valued corporate influence in promoting the due consideration of risk in Council decisions, strategies and plans.
  - To align the service with the Council’s changing needs.
- 1.4 In delivering this mission and objectives, the Service encapsulates the following teams:
  - Internal Audit
  - Health and Safety
  - Insurance
  - Risk and Resilience
  - Assurance



1.5 This report summarises the main aspects of the performance of the Service during the period 7 March 2021 – 13 June 2021, and gives members a detailed overview of the following areas:

- Internal Audit:
  - work undertaken in the period, including a summary of work and an
  - outline of the high priority recommendations made
  - performance against Key Performance Indicators
  - developments relating to this part of the Service.
- Health and Safety, Insurance, Assurance and Risk and Resilience:
  - work undertaken in the period, with key data provided
  - developments relating to these parts of the Service.

1.6 The report concludes by looking ahead to the forthcoming activities being undertaken by the service.

## **2. Recommendation**

2.1 Members are asked to note the progress outlined in the attached report.

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# Risk and Audit Service: Performance

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Audit and Governance Committee  
23 June 2021

David Eden  
Chief Internal Auditor  
Risk and Audit Service  
Corporate Resources  
Magdalen House  
30 Trinity Road  
Bootle  
L20 3NJ

Agenda Item 7

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# 1. Executive Summary

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1.1 This report summarises the performance and activity of the Risk and Audit Service for the period 7 March 2021 to 7 June 2021.

1.2 The report covers each of the areas of the service:

- Internal Audit
- Health and Safety
- Insurance
- Risk and Resilience.
- Counter Fraud

1.3 The report highlights the following key points:

- This has continued to be a busy period for the Service, with the completion of a number of key pieces of work. The performance indicators and key data in this report reflect this positive progress.
- The service continues to seek to support the effective management of risk, which is especially pertinent as the Council transforms.
- The development of the service continues, with a number of improvements having been completed in the period.

## 2. Introduction

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- 2.1 The Risk and Audit Service is managed by the Chief Internal Auditor.
- 2.2 The mission of the Service is “*to deliver a first-class risk and audit service that is highly respected and valued by Sefton and is the envy of our peers*” and the Service has the following objectives:
- To lead the Council in embedding a system of internal control and risk management that facilitates the achievement of the organisation’s objectives
  - To be a valued corporate influence in promoting the due consideration of risk in Council decisions, strategies and plans
  - To align the service with the Council’s changing needs.
- 2.3 In delivering this mission and objectives, the Service encapsulates the following teams:
- **Internal Audit** – this statutory service provides the internal audit function for all areas of the Council, including maintained schools. Internal Audit can be defined as: “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. Internal Audit helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Public Sector Internal Audit Standards)
  - **Health and Safety** – supports Council officers and members in providing an effective health and safety management system that meets the Council’s statutory health and safety duties; thereby controlling the risks of injury and ill health to staff and others affected by the Council’s activities.
  - **Insurance** – fulfils the duty to provide an appropriate insurance service for the Council, including claims management, advice on insurance issues and the management of insurable risk.
  - **Risk and Resilience** – develops risk management and mitigation strategies for the Council on emergency planning (ensuring that the Council meets its statutory responsibilities as a Category 1 responder under the Civil Contingencies Act 2004), public safety and business continuity issues.
  - **Assurance Team** – will develop a Counter Fraud strategy and co-ordinate the development of counter fraud services across the Council.

2.4 This report summarises the main aspects of the performance of the Service for the period 7 March 2021 to 7 June 2021, covering the following areas:

- Internal Audit:
- work undertaken in the period, including a summary of work completed and an outline of the high priority recommendations made.
- performance against Key Performance Indicators
- anti-fraud update
- developments relating to this part of the Service.
- Health and Safety, Insurance, Risk and Resilience and Assurance and Counter Fraud:
- work undertaken in the period, with key data provided where applicable
- developments relating to these parts of the Service.

2.5 The report concludes by looking ahead to the challenges which will be addressed in the forthcoming period.

### 3. Internal Audit: Performance Update

#### 3.1 Work Completed 1 March 2021 to 31 May 2021

During the period 17 audit assignments were completed and a further two substantially complete at 31 May 2021. The table below outline the audits that have been completed, the audit opinion and the recommendations identified:

Audit Title	Audit Opinion	Recommendations		
		High	Medium	Low
<b>1 March 2021 – 31 May 2021</b>				
Highways Maintenance Self-Assessment	Assurance provided to facilitate certification			
COVID-19 Business Discretionary Grants (Draft)	Moderate	2	4	0
Framework for Change 2023 – Estates and Assets Disposals (Final)	Minor	0	4	3
Procurement 2019/20 Review (Final)	Moderate	0	5	6
Great Crosby School Audit (Draft)	Minimal	0	1	3
Farnborough Road Infants School Audit (Draft)	Moderate	0	4	1
Norwood School Audit (Draft)	Moderate	0	3	4
Presfield School Audit (Draft)	Moderate	0	2	5
A59 2020/21 Grant Certification Q4	Assurance provided to facilitate certification			
Key Route Network - Urban Traffic Control 2020/21 Q3 Grant Certification	Assurance provided to facilitate certification			
Key Route Network - Urban Traffic Control 2020/21 Q4 Grant Certification	Assurance provided to facilitate certification			
Sefton Town Centres Grant Certification 2020/21 Q3	Assurance provided to facilitate certification			
Sefton Town Centres Grant Certification 2020/21 Q4	Assurance provided to facilitate certification			
Bootle Town Centre Grant Certification 2020/21 Q3	Assurance provided to facilitate certification			
Crosby Lakeside Grant Certification 2020/21 Q3	Assurance provided to facilitate certification			
Southport Eastern Access Grant Certification 2020/21 Q4	Assurance provided to facilitate certification			
Maritime Corridor Grant Certification 2020/21 Q4	Assurance provided to facilitate certification			



Audit Title	Audit Opinion	Recommendations		
		High	Medium	Low
<b>Work substantially complete as at 31 May 2021</b>				
ICT-Security Review (Exit meeting client pending)	Report drafted, exit meetings arranged with the ICT Client Unit and with Agilisys ahead of issue of the draft report. Findings will be reported in the next scheduled update.			
In House Fleet Costing Review	Work to support Financial Management and Travel Support Team in cost analysis. Awaiting final figures from Travel Support before Memo can be issued.			

The high priority recommendations outlined in the audit reports issued in the period 1 March 2021 to 31 May 2021 are summarised as:

#### **COVID-19 Business Discretionary Grants (draft)**

- The Revenues Manager and Business Development Manager should review the recovery status of a potentially overpaid of grant. For future grants, management should obtain limited company bank accounts rather than individual or director's bank accounts.
- The Business Development Manager should review and follow up National Fraud Initiative matches if required.

### **3.2 Key Performance Indicators 2020/21**

The following table outlines the Audit Team's performance against the Key Performance Indicators outlined in the Audit Plan agreed by the Committee in September 2020. In addition, at figure 1 there is performance information on the completion of the 2020/21 Audit Plan across all of the financial year.

Description and Purpose	Target	Actual	Variance and Explanation
<b>Percentage of the Internal Audit Plan completed 2020/21</b> This measures the extent to which the Internal Audit Plan agreed by this Committee is being delivered. The delivery of the Plan is vital in ensuring that an appropriate level of assurance is being provided across the Council's systems.	<b>100%</b> See graph below	<b>63%</b> See graph below and narrative	<b>37%</b> • See section 3.4

Description and Purpose	Target	Actual	Variance and Explanation
<b>Percentage of Client Survey responses indicating a “very good” or “good” opinion</b> This measures the feedback received on the service provided and seeks to provide assurance that Internal Auditors conduct their duties in a professional manner.	100%	100%	No variance
<b>Percentage of recommendations made in the period which have been agreed to by management</b> This measures the extent to which managers feel that the recommendations made are appropriate and valuable in strengthening the control environment.	100%	100%	No variance

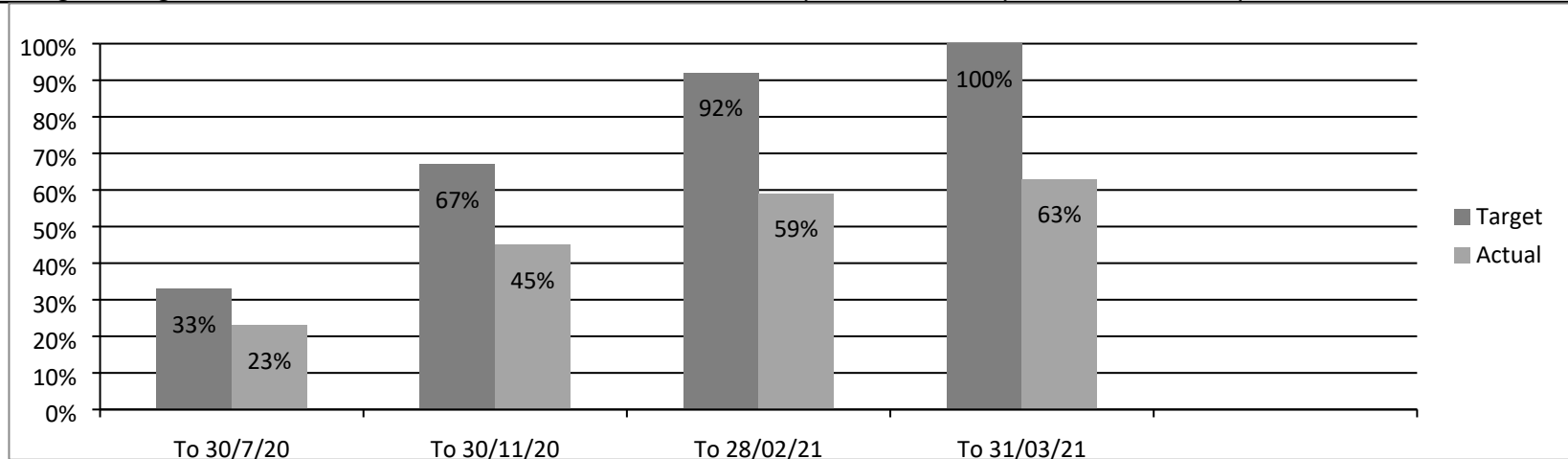


Figure 1: Percentage of the Internal Audit Plan 2020/21 Completed (profiled to coincide with the Audit and Governance Committee reporting dates)

### 3.4 2020/21 Performance

The significant issue facing the audit team during the period has been the continuing impact from the Covid-19 pandemic on the Council and the challenges that have faced management in delivering core services whilst most staff delivering services have been moved to home working and ensuring that social distancing is maintained. As previously highlighted the proposed audit plan due to be presented in March 2020 was essentially made redundant by the impact of Covid-19 impact

on the Council and the plan did not reflect the risks that faced the Council. A revised Audit Plan for 2020/21 financial year was presented to this Committee on 16 September 2020.

The delivery of the audit plan has been affected by resourcing issues which have arisen partly as a result of Covid-19. For the 2020/21 financial year there were plans for the recruitment for the post of Trainee ICT Auditor and CIPFA Finance Trainee on secondment which were included in the audit plan. Although we have been able to recruit for the Trainee ICT Auditor (April 2020) we have not been able to carry out some of the training and joint working we would like to do both as it would normally involve face to face discussions but also the work areas themselves are not operating in the way planned at the outset of the review. The recruitment exercise for the CIPFA Finance Trainee was suspended during Covid-19 and hasn't taken place.

In addition, two internal full-time audit staff spent significant time completing Locality Services Procurement and Employee Conduct Reviews during the financial year which detracted from completion of other planned assurance work.

A member of the Audit Team has been absent from the organisation on unplanned leave since October 2020 which has further impacted on the team's capacity to complete planned audit work. Several recruitment exercises have been undertaken to alleviate the impact of the staff absence during the last six-months but this has been unsuccessful. Further attempts to fill the vacancy will be made using external agencies during June 2021. Additionally, in terms of staffing resource, the Trainee ICT Auditor started her maternity leave in February 2021.

Covid-19 has also impacted on the delivery of audit work in reducing Officers' capacity to respond quickly during the pandemic due to the scale of the issue and additional work has been required for example in assisting the Heads' of Service and Executive Directors prepare written Governance Assurance Statements for the Annual Governance Statement which was outside of the planned work for this audit. Covid-19 has placed significant pressures on many Council services restricting the range of services able to accommodate an audit due to the pressing needs of the Service responding to the pandemic e.g. social care, revenues and benefits, schools etc.

We have taken the view that in this unprecedented set of circumstances that we would work pragmatically through the proposed plan being mindful of the new risks that face the organisation and the pressures that face the Service Teams across the Council in responding to the pandemic for example the grants provided to local businesses where there has been significant support provided on the design of the controls as well as ensuring that government guidance is followed for example the completion of fraud risk assessments and post assurance plans.

To facilitate in the Chief Internal Auditor's Annual Audit Opinion for 2020/21, the Audit team have now completed a wide-ranging assurance mapping exercise. The assurance mapping is useful intelligence to the Audit Team on other types of assurance provided across the Authority.

### 3.5 Public Sector Internal Audit Standards

As previously reported to the Committee, following the external assessment in March 2018 which confirmed that the service “generally complies” with the Standards the team, the Audit Team has been continuing to implement the Development Plan to ensure the continued development and improvement of the service going forward, with a particular emphasis on the service being able to meet the expectations of a modern service.

One of the recommendations from the review of service in 2018 was an assurance mapping exercise. We have completed the exercise which helped to shape the 2021/22 Audit Plan as well as assist in the development of the Chief Internal Auditor’s Annual Audit Opinion discussed below.

Progress has been made investigating the use of specialist audit software and a significantly cheaper option, which still meets our needs, has been identified compared with our earlier preferred option. The software will improve the speed and depth of audit testing and a new business plan has been developed.

An internal review of the team’s compliance with the PSIAS has been undertaken in the quarter. The results will be shared with the Committee at a future meeting.

### 3.6 Annual Audit Opinion

The Chief Internal Auditor is obliged, under the Public Sector Internal Audit Standards (PSIAS), to provide an annual report summarising the work undertaken by internal audit during the financial year just closed, and to provide an overall opinion of the overall adequacy and effectiveness of the organisation’s framework of governance, derived from this work. The work provide an overall opinion as well as prospects for improvement. The opinions have not been historically qualified which may occur where there is either a reduction in audit delivery breadth or as a result of audit findings.

For the financial year 2020/21 there has been a number of impacts which has impacted on the delivery of the audit plan from a resource perspective which has impacted on audit breadth, highlighted above, as well as the substantial impact on the organisation from Covid-19 which has re-orientated necessary activity towards emerging risks for example the grant funding from Central Government to local businesses and residents.

The Audit Team has recognised the potential impact this could have on the prospective Annual Audit Opinion and in light of guidance from CIPFA are proposing the following action to ensure there is a non-qualified opinion:

- The completion of the Assurance Mapping Exercise, which has been based on identifying alternative source of external validation of the Council Services across all Service area, will enable the Team to identify additional sources of assurance that can be used to supplement the audit programme.
- Formalising the holistic approach of considering assurance over a multi-year period which reflect the reality that not every specific area is looked at each year, unless there is knowledge to the contrary.
- The role of the Chief Internal Auditor is a senior manager within the organisation and as a result has visibility of the actions that the management team have responded to in particular on Covid-19 which provides positive assurance on the framework of governance.
- There will be a move towards a more narrative report that supports the approach.

Whilst the work for delivering the report has started one area of concern is likely to be considered in the report which could potentially impact on the prospects for improvement. Whilst the organisation has responded highly effectively to Covid-19 as resources and staff have been where necessarily re-deployed to the response, due to the limited bandwidth an organisation has to meet his objectives, in part its resources are not infinite and elastic to cope with all demand, there has been some reduced capacity to deliver business as usual objectives which deliver change in the way originally envisaged. This reflects the reality of the stretch there has been due to Covid-19. The Audit Team will carefully consider how this impacts on the prospects for improvement.

The proposed report will be provided alongside the draft annual accounts and Annual Governance Statement to the July Audit and Governance Committee.

### 3.7 Resources

- In April 2020, a staff member was recruited to a newly created Trainee ICT Auditor post. The Trainee ICT Auditor has been on maternity leave since February 2021 which means there is a shortfall in capacity.
- The Trainee ICT Auditor post was created following the deletion of the Value for Money (VFM) Auditor post, during the quarter 1 2019/20 re-structure, and will strengthen the team's capability regarding ICT reviews. Internal Auditors will ensure that that the issues surrounding value for money are considered as part of every review that is undertaken.
- An agency worker was used to backfill the vacant Principal Auditor post between June 2019 and July 2020. Following a recruitment exercise the same worker was appointed on a fixed term contract until the end May 2021. An extension to this contract until the end of May 2022 has been approved with the Principal Auditor moving from full-time to part-time (0.6 fte). This will provide team stability whilst options are considered for the future staff structure of the Audit function but this represents further reduction in capacity in 2021/22.

- The 2021/22 Audit Plan approved by the Audit and Governance Committee was based on two additional temporary FTE auditors to be recruited to provide cover for the vacancies in the team and the reduction in hours of the fixed term Principal Auditor.
- A recruitment exercise has been underway since January to find experienced Principal Auditors to provide additional capability as highlighted above. Progress has been highlighted above and we are still currently seeking to fill these positions.
- Until staff were advised to work from home at the end of March 2020, staff development continued through a mix of office-based webinar and discussion training, engagement with regional audit groups (such as for school audits, ICT audits and contract audits) and through external conferences and training events. The Trainee ICT Auditor has been able access a range of online resources as she develops.
- To enhance audit coverage and to address one area of weakness identified in the external assessment in 2018, the viability of specialist audit software, IDEA, has been considered alongside more cost-effective alternatives. A draft business plan has been developed. This is an exciting development and may have wide ranging impact on the way in which audits are undertaken in future.

### 3.8 Developments

Since the last Audit and Governance Report Internal Audit has:

- Reviewed and improved the Audit Report template to improve the readability and reduce the time taken to write. This is currently being trialled and further enhancements will be made.
- Staff welfare has been and remains paramount and we continue to monitor staff wellbeing during the prolonged period of home working maintaining frequent regular contact with all team members.
- Staff have completed Display Screen Equipment assessments for their home working environments. Where required staff have been able to request equipment to improve their home-working arrangements.
- Developed a challenging but achievable Audit Improvement Plan for 2021/22.
- Introduced new quick “Huddle” team meetings three-times per week where staff update and share progress on audit assignments and share any issues or blockages that they are facing.
- Completed a more comprehensive approach to obtaining alternative forms of assurance to inform the Chief Internal Auditor’s annual opinion given the reduced Internal Audit coverage in 2020/21.
- Undertook a gap analysis of the revised PSIAS and completed 2020/21 self-assessment.

In the next quarter, the planned developments for the service include:

- Recruit two Principal Auditors for fixed term periods to provide cover for staff absences and assist in the delivery of the approved Audit Plan.
- Introduce measures to reduce the backlog of audit recommendations that require following up and identify an effective way to report recommendations implemented and outstanding to this Committee.
- Further enhance and simplify internal audit reports to improve clarity and reduce time spent producing the reports.
- Review pros and cons of the new Huddle meetings and decide whether weekly meeting between Audit Manager and auditors is still needed.
- Finalise proposals on the use of specialist audit software.
- Reintroduce team webinar and discussion training.

## 4. Health and Safety: Performance Update

### 4.1 Progress

The Council continues to focus on improving the health and safety management system and support by reviewing existing arrangements and improving governance.

The Health and Safety Team consists of two health and safety professionals supporting 7379 staff (including 4045 school staff), plus agency staff, contractors and volunteers. A temporary administration support has joined the team to provide support until June 2021. Resources continue to be stretched in meeting the demands of the Council and Schools and to satisfy the requirements of the Management of Health and Safety at Work Regulations. Long term recruitment opportunities are currently being explored to minimise the Council's health and safety risks. The team continue to deliver a range of services across all Council departments including schools. These services can be divided into three main areas: Policy and communication, operational reactive response, and active monitoring.

Health and safety objectives and key performance indicators are continually reviewed. It is acknowledged that outputs have been and are affected by the COVID-19 pandemic and the team have adjusted service delivery to assist the Council in meeting its obligations and to provide managers and staff with the relevant support. Objectives and key performance indicators are being updated to reflect the reopening of services and aligned to the Councils 'Vision 2030' and 'One Council' initiatives and core values.

Consultation arrangements are working well, with the Corporate Health and Safety Committee playing a key role in conjunction with the Departmental Health and Safety Committees. The committee meetings continue to be held virtually, using the MS TEAMS system, which has proved to be very successful.

Activities arising from the risk of the transmission of coronavirus 2 (SARS-CoV-2) has been significant, as operations, work and home environments have continually been adjusted throughout the various periods of restriction.

Council building and operational risk assessments have been reviewed regularly providing assurance of COVID-Secure environments and activities for staff, agency workers, contractors, partner organisations and volunteers. Assistance, guidance and monitoring continues to be provided across all areas as part of the Governments re-opening 'Roadmap', in collaboration with Public Health colleagues.

Considerable health and safety support was provided during the setup and management of SMART (Sustained Meaningful Asymptomatic Repeat Targeted) and Surge Testing sites across Sefton. Advice and guidance on the identification, implementation and monitoring of appropriate COVID-Secure arrangements was provided. The Health and Safety Team



developed a series of general health and safety, COVID-Secure and CoSHH (Control of Substances Hazardous to Health) risk assessment templates and a combined Public Health and Occupational Health and Safety incident reporting form and process.

The re-opening of services and events has proved challenging for the Health and Safety Team, working with managers to balance COVID-Secure compliance and operational demand. Significant support has been provided for recent election activities, reconvening of face-to-face Council meetings and support services to vulnerable children and adults.

The Health and Safety Team have been working with the Chair of the Safety Advisory group to update their terms of reference, based on previous event incident investigations and lessons learnt within the Liverpool City Region.

Advice and support was provided to Schools at the introduction of testing for staff and pupils and as full re-opening plans were implemented. Onsite support visits have increased.

Although onsite delivery of school and council inspections has recommenced albeit a smaller number of visits anticipated until July 2021. The audit process has been redesigned and takes the form of desktop and onsite exercises. Audit evidence against practice is being verified during site inspections.

Corporate minimum standards have been developed and published on the intranet. Documents and forms are issued to the Workplace Learning and Development Team for inclusion in training packages. Recent revisions and additions include Fire Prevention and Protection, Personal Emergency Evacuation Plan (PEEP), Stress, Display Screen Equipment and Home Working. COVID-19 guidance is now available as a workplace longer term hazard. Methods of reaching staff who may not be digitally connected are being explored with the Communications Team.

Due to the increased working from home arrangements, the Health and Safety Team have developed a responsibilities matrix, process flows, new forms and guidance under the Display Screen Equipment Regulations 1992 and the Stress Management Standards (HSE) as part of the Home and Agile working projects. The team have been supporting managers and staff with DSE and stress risk assessments and arrangements. They have worked collaboratively with other service areas to ensure the Council's obligations are being met, whilst ensuring the physical, psychological and emotional health, safety and wellbeing of staff is maintained. An audit of service areas is testing the implementation of DSE arrangements and their effectiveness.

The Health and Safety Team have been instrumental in establishing a One Council working group to consider the wider occupational health, safety and wellbeing of staff. It consists of representatives from The Health Unit, Public Health, Workforce Learning and Development, Active Workforce, and Health and Safety, in addition to Union's representation.

The North-West networking groups, Liverpool City Region H&S Advisers Group and Outdoor Education Adviser's Panel continues to meet virtually, although dates for face-to-face meetings are being planned from July 2021. The groups have proved invaluable for sharing information and good practice during the pandemic as guidance has changed so quickly.

CLEAPSS is an advisory service providing support in science, design, technology, and art for educational settings. A sizeable proportion of Sefton schools pay for the CLEAPSS RPA (Radiation Protection Adviser) Service. The Health and Safety Team continue to operate as a link between schools and the Radiation Protection Adviser, supporting school Heads of Science in the storage and use of radioactive sources.

EVOLVE provide online services for schools, including a tool for planning and managing educational visits, after school clubs and sports fixtures. Local day trips commenced from 12<sup>th</sup> April 2021, with offsite residential visits being available from 17<sup>th</sup> May 2021. It is anticipated that overseas residential visits may be permitted from September 2021. The Health and Safety Team continue to provide support and guidance to schools as new announcements are made and refresh Educational Visit Co-ordinators (EVC) in using EVOLVE after over a twelve-month break. The EVOLVE system allows schools to upload risk assessments and other critical event information and take school staff through an authorisation process, which involves a schools internal Educational Visits Co-ordinator (EVC), Head Teacher, the Local Authority Corporate Health and Safety Team. EVOLVE have continued to provide online training.

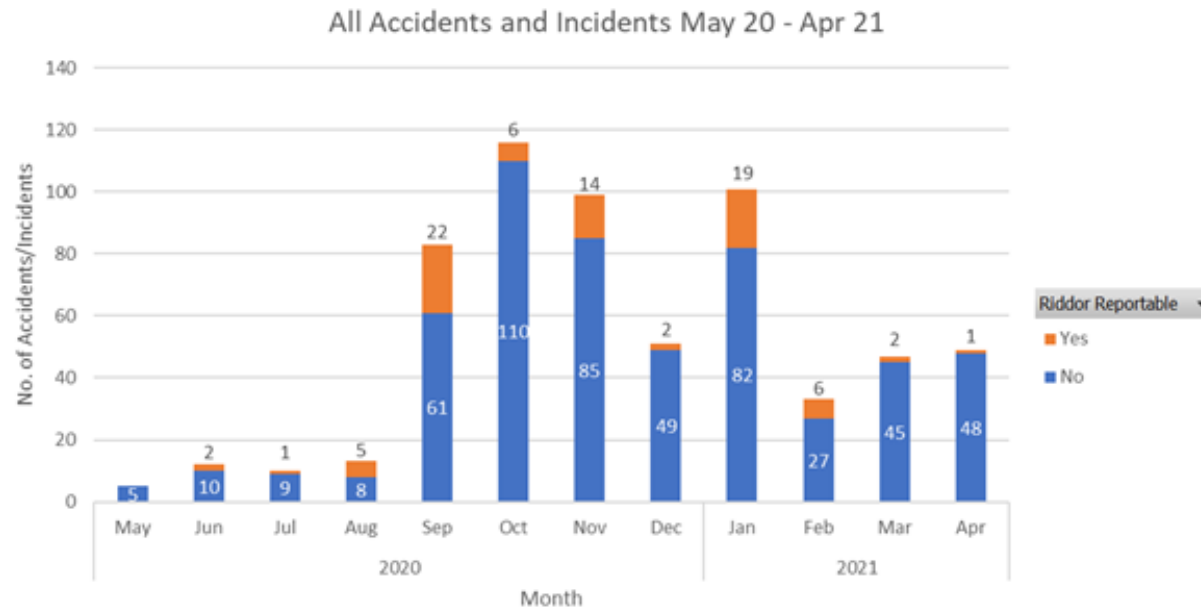
The on-line incident reporting system continues to be well utilised with managers reporting accidents and incidents, as required. COVID-19 was added to the system as a new workplace condition during 2020. Workplace and non-workplace transmission cases are recorded and monitored.

The Health and Safety Executive's (HSE) Working Safely (COVID-Secure) campaign has impacted on Sefton Council sites and schools with a several telephone calls and site visits being carried out. The visits have gone well, and no concerns have been raised. Visit outcomes are being monitored and lessons learnt will be communicated in Health and Safety updates, meetings, and briefings.

#### 4.2 Key Incident Data

The Health and Safety Team continue to manage the Council's incident reporting system which records work-related accidents and incidents involving employees, contractors and members of the public.

Graph 1 below compares accident and incident data over the past year, highlighting the impact of moving out of the first set of restrictions to those imposed in early 2021.



Graph 1: Accident and incident data from 1<sup>st</sup> May 2020 to 30<sup>th</sup> April 2021.

The increase in reporting and therefore availability of accident and incident reporting data from May to early October is consistent with the volume of staff returning to the workplace, and the re-opening of schools and services following spring and summer 2020 restrictions.

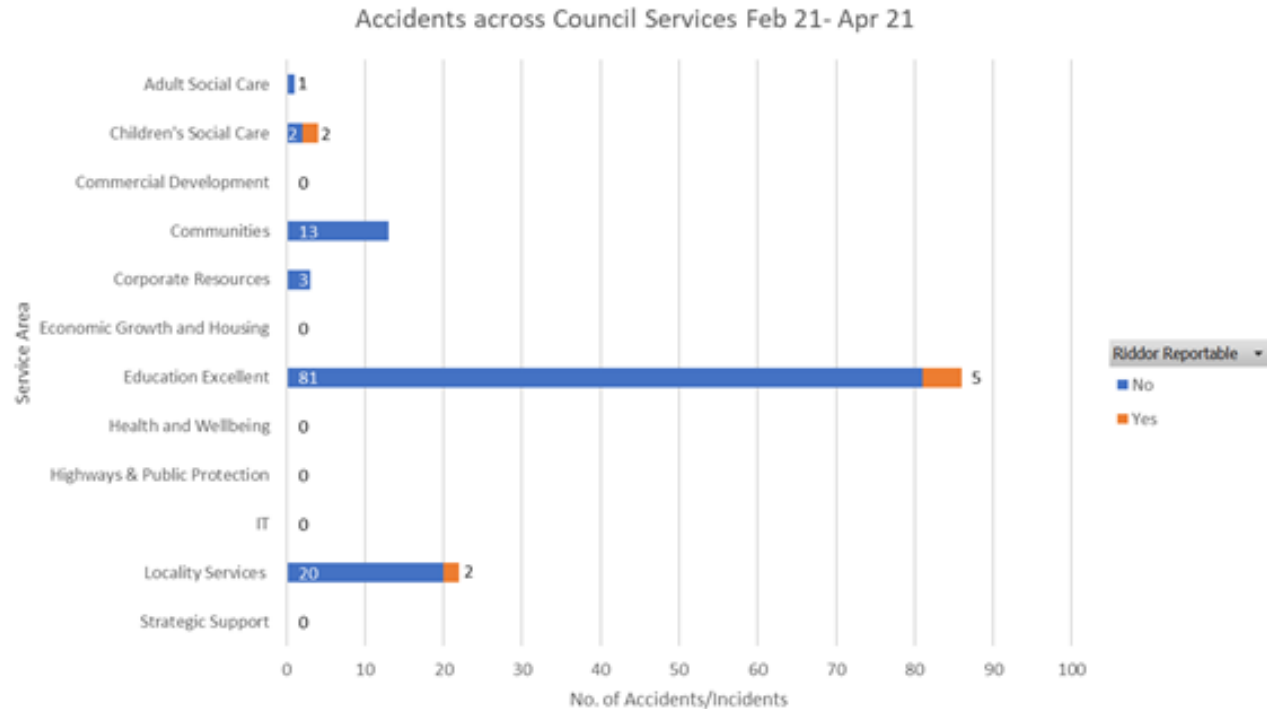
The sudden rise in reports raised from September 2020 highlights the increase in positive COVID cases due to the increased exposure coupled with access to testing (PCR). The results also reflect an increase in accidents and incidents affecting members of the public, which includes classroom and playground injuries in schools and sport injuries in leisure centres. There has been a substantial reduction in the number of incidents raised since late January 2021. Considering previous fluctuations affected by opening and closing of Council venues and restrictions within schools, it can be assumed this is due to the lockdown imposed in January and gradual reopening through the Spring.

Managers and staff continue to be encouraged to report all COVID-19 positive staff cases onto the Council health and safety accident and incident reporting system. This supports the effective review of risk assessments and monitoring of control measures. It is anticipated that non-workplace transmission reports will cease in the coming months and return to work related transmission or near miss reporting only. It can be confirmed that reporting of non-work-related cases for this new

workplace hazard has informed the risk assessments and provided data to guide the implementation of control measures and monitoring.

The Health and Safety Team continue to work closely with Public Health colleagues on COVID—related issues and have greatly appreciated their ongoing support.

Accidents and incidents reported across the Council Services between February 2021 and April 2021 are in the graph below.



*Graph 2: Accident and incident data across Council Service Areas during the 3 months – 1<sup>st</sup> February 2021 to 30<sup>th</sup> April 2021.*

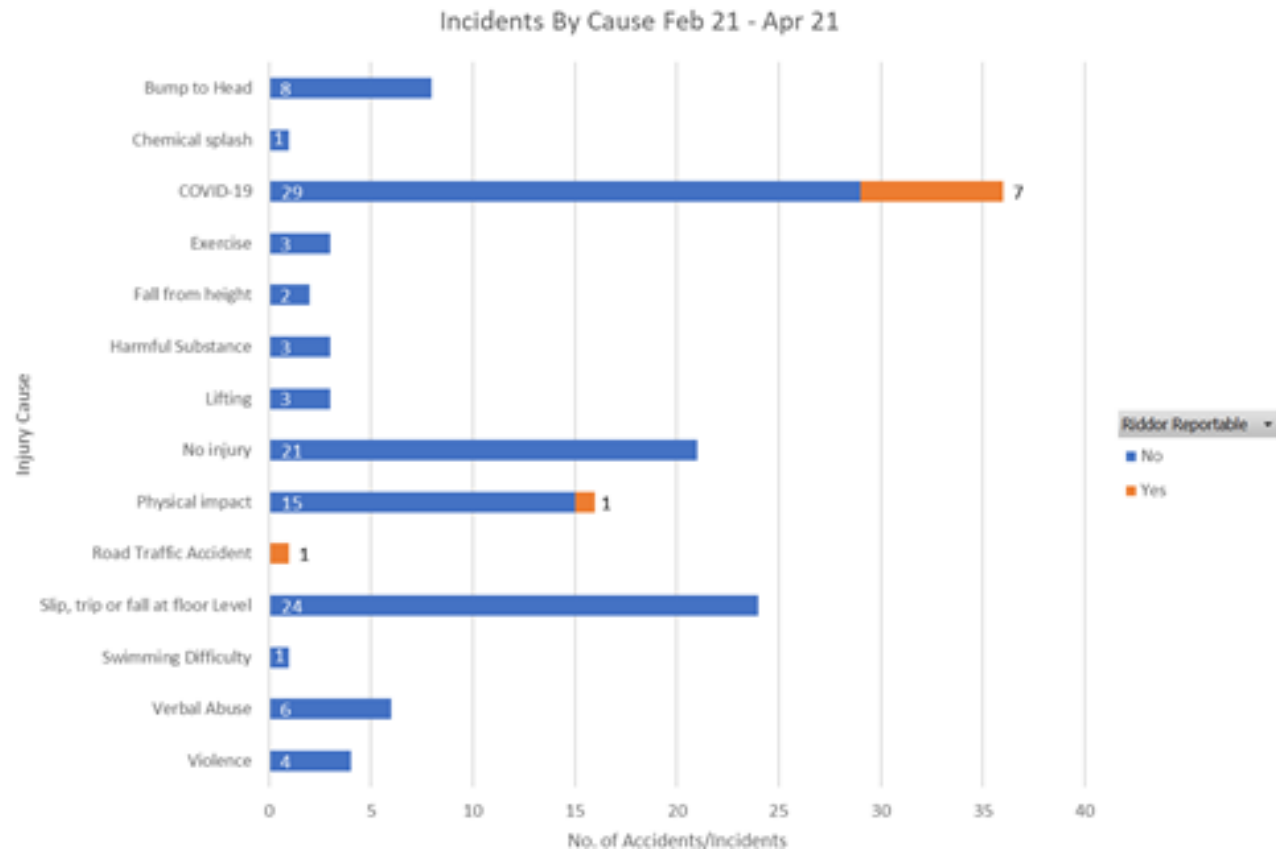
The highest level of reporting is within Education Excellent, Locality Services and Communities. This is consistent with previous years and is influenced by a positive reporting culture. Other factors include continued essential service delivery during the various pandemic restrictions. From late Summer, accidents in areas of high public footfall rose as they included school pupils and those attending sports and exercise facilities. Most of these accidents were slips and trips and contact sports / play injuries.

Services areas not listed have not raised any reports during this period. These include Public Health and Wellbeing and Commercial Services. This is due in part to staff working substantially from home. Data and trends continued to be monitored as restrictions are initiated and then lifted.

The Health and Safety Team continue to promote a good reporting culture to manage the risk of injury, ill health and other losses to the Council. The reports impact on the assessment of risk, and suitability and sufficiency of controls and monitoring required. A positive reporting culture provides greater accuracy in accidents, incidents and near misses' data and enables the Council to identify trends and opportunities to prevent reoccurrence.

The Health and Safety Team are working with Workplace Learning and Development Colleagues based at the Corporate Learning Centre to develop the training offer to staff, which will include accident / incident reporting and investigation training.

Graph 3 identifies the cause of accidents across Sefton Council from February 2021 to April 2021. As previously highlighted, the most common cause has been the transmission of Coronavirus (SARS-CoV-2). Not all cases have been as a result of 'workplace' transmission. Other common causes were due to slips and trips and contact sports / play injuries. The cases reported under RIDDOR (Reporting of Injuries Diseases and Dangerous Occurrences Regulations 2013) are discussed below.



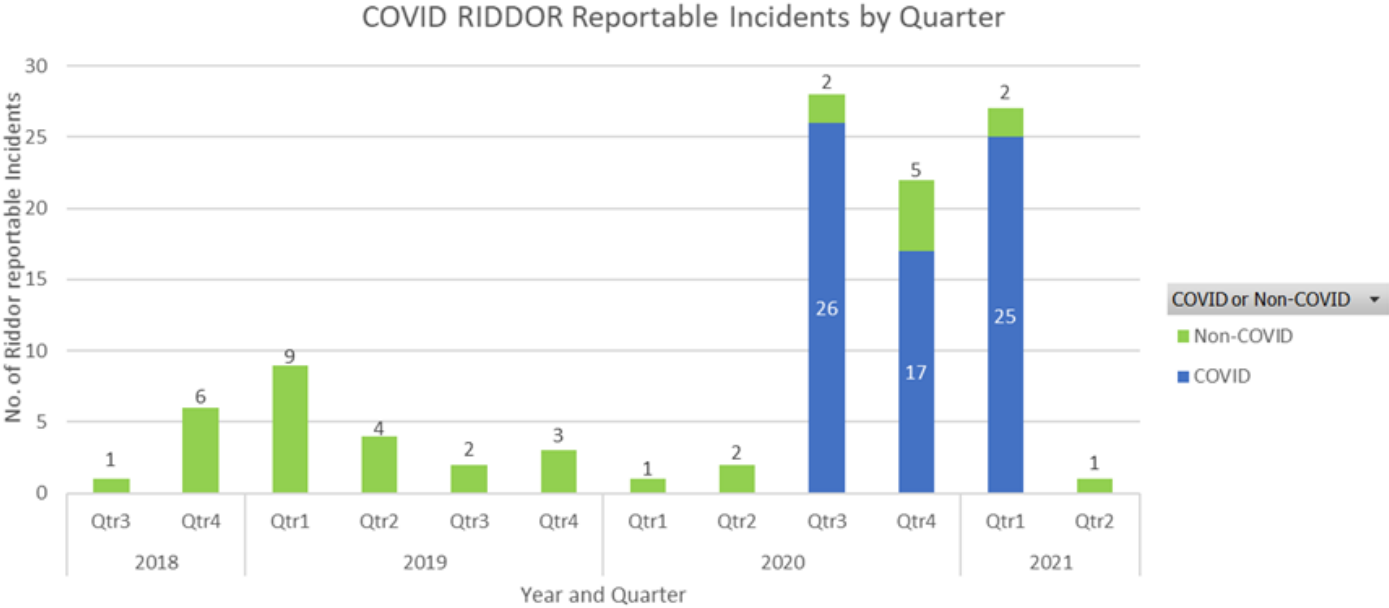
Graph 3: Accident and incident data by Cause during the 3 months – 1st February 2021 to 30<sup>th</sup> April 2021.

Through discussions with staff and at Health and Safety Committees, some incidents of threatening and abusive behaviour have remained, despite restrictions, although not always reported through the incident reporting system. Staff who have faced challenging behaviours are being encouraged by the Health and Safety Team and managers to report such cases. Managers and staff have been carrying out thorough investigations. Further work is required to understand the number of actual events and reasons for underreporting. The Health and Safety Team are working with managers to ensure value and benefits are understood.

Through staff discussion and during Departmental Health and Safety Committees, concerns have been raised regarding a potential increase in muscular skeletal disorders from working at home and poor psychological well-being. Following the

introduction of updated Display Screen Equipment / Workstation assessment forms and guidance and a Stress Risk Assessment form and guidance in November, staff and managers have received support in adapting to alternative working practices and environments, whether at home or at a Sefton location.

Graph 4 shows the number of reports raised to enforcement authorities and insurers under the Reporting RIDDOR (Reporting of Injuries Diseases and Dangerous Occurrences Regulations 2013), during recent years. The graph highlights the increase in reports due to the requirement to report positive COVID-19 cases where there is evidence of workplace transmission. The greatest affected areas are Education Excellent, Children’s Services and Communities, where front line workers have continued to provide essential services.



Graph 4: Accident and incidents reported under RIDDOR, highlighting COVID and non-COVID RIDDOR reports.

The number of RIDDOR reports arising from COVID-19 workplace transmission has significantly reduced. National restrictions, the campaign to improve reporting across the Council services and schools, the level of analysis of the suitability and sufficiency of control measures and monitoring and reinforcement of the safety behaviour message, coupled with support from the Public Health and Health and Safety Teams may have influenced this reduction.

There have been two non-COVID RIDDOR reports raised between 1<sup>st</sup> February 2021 and 30<sup>th</sup> April 2021. The first case involved a member of the public receiving hospital treatment for a serious cut to their hand. Another affected a member of staff who suffered injuries and time off work from a road traffic collision, where the vehicle they were driving was hit by another vehicle.

#### 4.3 **Developments**

There will be a continued focus during the next quarter of delivering the Health and Safety Improvement Plan and the ongoing recovery programmes from COVID-19 with planned priorities –

Continue to support to assist Managers and Head Teachers with the recovery programmes from COVID-19. As national restrictions are relaxed, and central government guidance cases, a requirement to manage the COVID-Secure arrangements under Health and Safety law.

Continue to review, update and monitor the Health and Safety Standards and Policies, with focus on Fire Risk Assessments and building safety, Permit to Work systems, hiring of third-party premises, Dangerous Substances and Explosive Atmosphere Regulations, first aid provision and local emergency response.

Monitoring and support remain in place for schools and the Smart Testing sites.

Continue to develop the Council-wide training needs assessment which will build into the health and safety training plan and provision.

Continuing the delivery of risk assessment training for the managers who have responsibility to undertake risk assessments, in collaboration with the Corporate Learning Centre. Working with senior managers to identify staff who require risk assessment or refresher training.

Focus on improving the accuracy of incident reporting, investigation and implementation of controls and monitoring to prevent reoccurrence. Work with managers to ensure incidents of threatening and abusive behaviours towards staff are reported.

Continue to deliver a health and safety management audit and inspection regime across the Council, to schools with a Service Level Agreement with the Council and those schools where the Council retains responsibility for the health and safety as the employer. This will provide assurance that health and safety management systems are suitable and effective.



The Council has a contract with its liability insurers which includes an allocation of free training or service days to assist with implementing effective risk management across the Council. We are planning to use some of the free days to assist with school inspections.

Monitor outdoor education activities, offering advice and reviewing risk assessments for off-site visits and adventurous activities involving young people in schools. This is managed by the EVOLVE system which schools can purchase as part of the Service Level Agreement offering.

Promote the Educational Visits Co-ordinator course being held virtually in June 2021. The course is aimed at new and existing EVCs in schools and will enable them to plan and manage their school's educational visits and off-site activities in line with National Guidance, this in turn will help them fulfil their health and safety responsibilities.

The team continue to support schools in the safe storage and where necessary, destruction of their radioactive sources.

The team have started collaborating with Public Health, Workforce Development, Trade Unions and the Health Unit with a Workforce Wellbeing Initiative.

An on-line School Governor Health and Safety training course is in the process of being rolled out to schools and is due to take place on 10<sup>th</sup> July 2021.

## 5. Insurance: Performance Update

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### 5.1 Work Completed

During the period, the following key pieces of work/projects have been undertaken:

- Since the last update, and following extensive negotiations, outstanding queries on the Council's Terms of Business have now been finalised to enable the revaluation exercise of a sample of Council buildings to be undertaken. The successful bidder has provided assurance that the exercise will be completed by the expected date of 30 June 2021, which will assist with the upcoming renewal of insurance cover in September 2021.
- The result of the previously reported consultation with the Schools Forum on a new attractive approach for the Council's Maintained Schools insurance arrangements provided within the existing Council's Long-Term Agreement versus the Government led Risk Protection Arrangement has been favorable. All schools are therefore expected to sign up to the new scheme for the current financial year. As at 18 May 2021, 70% of schools had purchased the insurance via a service level agreement. Progress checks will be made and reminders for those still to make the purchase will be issued, anticipating that a 100% sign up can be reported in the next update.
- Liaison with colleagues in Public Health and Health & Safety is continuing to ensure that appropriate insurance cover is in place to protect the Council in duties being carried out relating to the Covid-19 pandemic and, in particular, the recent surge testing in Formby.
- The Council continues to defend cases robustly to protect the public purse and, where necessary, will enlist the assistance of Weightmans, the Council's Solicitors.
- In the last update it was explained that Weightmans were acting on two claims where it was thought that there may be some fraudulent activity involving tripping claims on Council owned locations. Investigations are continuing and the Team will where there is fraud identified to rigorously challenge the claims as well as where possible recover our costs. Further detail will be provided in a future update.

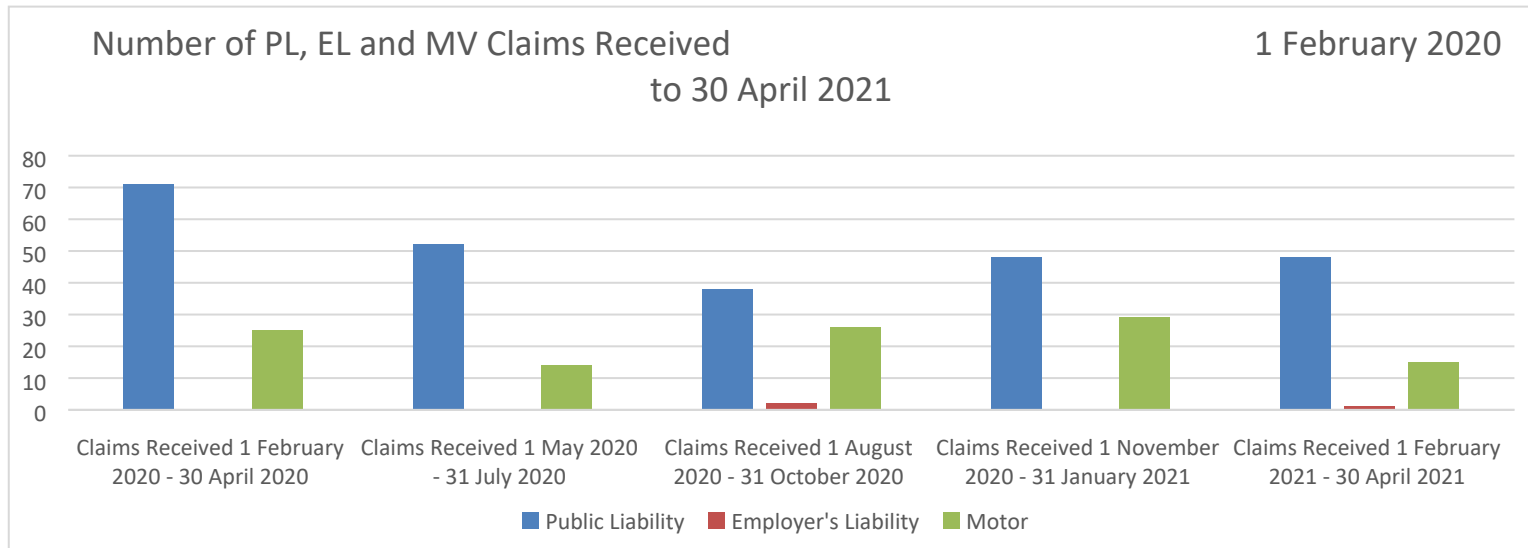
- Reimbursement of £4k towards the Council's defence costs in a claim that the Council was prepared to run to trial as a case of fraudulent dishonesty, but which was eventually discontinued by the claimant, has been received. Hopefully this will assist in sending out a strong message to those who would seek to attempt to bring fraudulent claims against the Council.
- Regular review meetings are also conducted with Weightmans to ensure compliance of the contract set up between the two parties via the North West Legal Consortium Framework. It was pleasing to note that during the May 2021 review meeting, Weightmans provided assurance that the Council's claim portfolio was considered to be above similar public sector peers in terms of relatively low claim numbers and the percentage of claims where there was a suitable defence. This is a testament of the Team's tenacity to obtain information and approach to managing risk of the claims as well as equally colleague's across relevant Service areas inspection regimes.
- The Team continues to work extensively with service areas to improve the management of insurable risk especially in areas where there are high numbers of claims or areas of concern including Highways. The Council generally has high defensibility rates and such risk management activity will assist in maintaining and potentially improving the position further.
- Although not related to claims against the Council, due to knowledge and experience, the Team have recently liaised with the Highways Team to assist in streamlining their process for directing claims to contractors where it is alleged damage has been caused to third party property whilst undertaking work on behalf of the Council.

## 5.2 Key Claims Data

The following charts outline the insurance performance and include:

- Numbers of claims for Public Liability (PL), Employers Liability (EL) and Motor (MV) received by Sefton Council for the period 1 February 2020 to 30 April 2021.
- Value of the reserves for PL, EL and MV claims received by Sefton Council for the period 1 February 2020 to 30 April 2021.
- The average reserve value for PL, EL and MV claims received by Sefton Council for the period 1 February 2020 to 30 April 2021.

The chart below outlines the number of claims for PL, EL and MV claims received for the period 1 February 2020 to 30 April 2021.



Continuing as reported in the last update, Public liability claims are steadily increasing and this shift, may, in part, be due to Government lockdown restrictions easing and leading to more general footfall by members of the public. However, although an increase has been seen, and claims have increased by 26% from the middle quarter, numbers remain 32% lower than at the outset of the period.

The largest area of claims remains within the Highways service area. These claims represent 90% of all claims received in the final quarter, of which 60% related to personal injury.

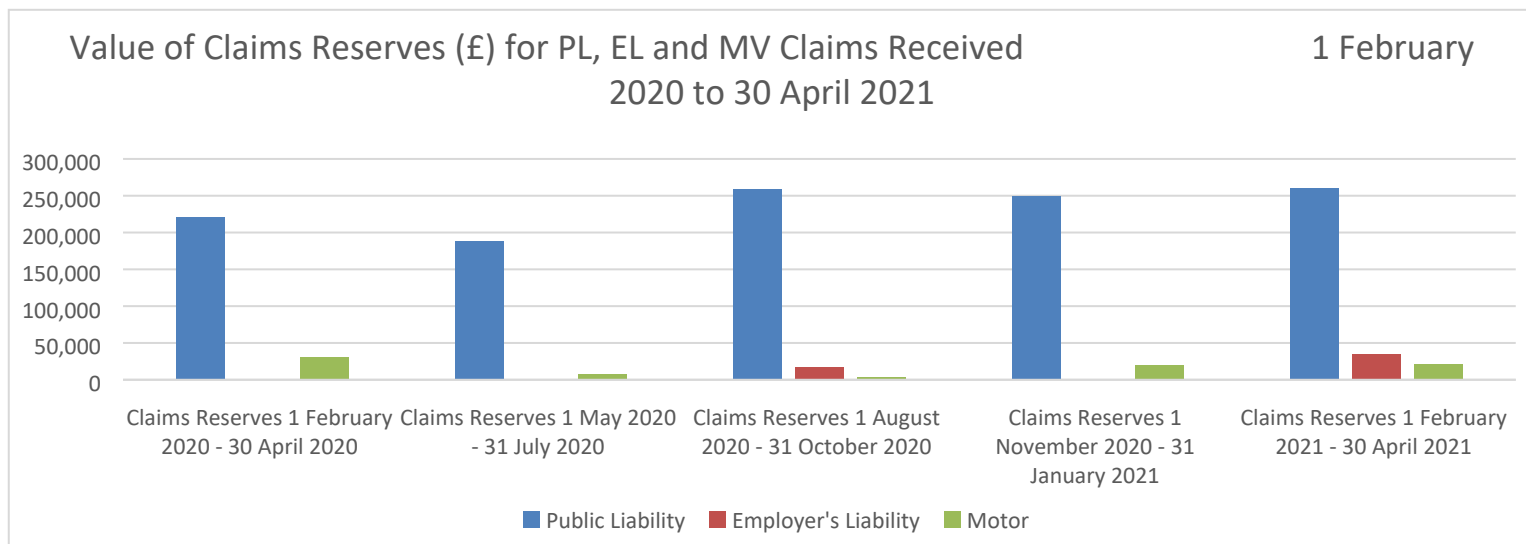
One Employer's Liability claim was received in the last quarter, however claim numbers remain low and only three such claims have been received in the overall period.

Despite a steady increase in Motor claims numbers between the second and fourth quarters, it is pleasing to see in the final quarter that numbers have decreased and are at their lowest point in the overall period, having decreased by 48% between quarters 4 and 5 and by 40% from the first quarter.

As would be expected, due to the size of the fleet, Cleansing (Refuse Collection Service) remain the service area with the highest number of claims, accounting for 53% of claims received within the last quarter and with 38% of these claims being for own damage only with no third-party involvement. For the overall period, 53% of claims processed for all service areas accounted for own damage only.

Although variance has occurred over the period, the current profile in all three areas presents no cause for concern. However, numbers will continue to be monitored for any changes in trend.

**The chart below outlines the value of the reserves for PL, EL and MV claims received for the period 1 February 2020 to 30 April 2021.**



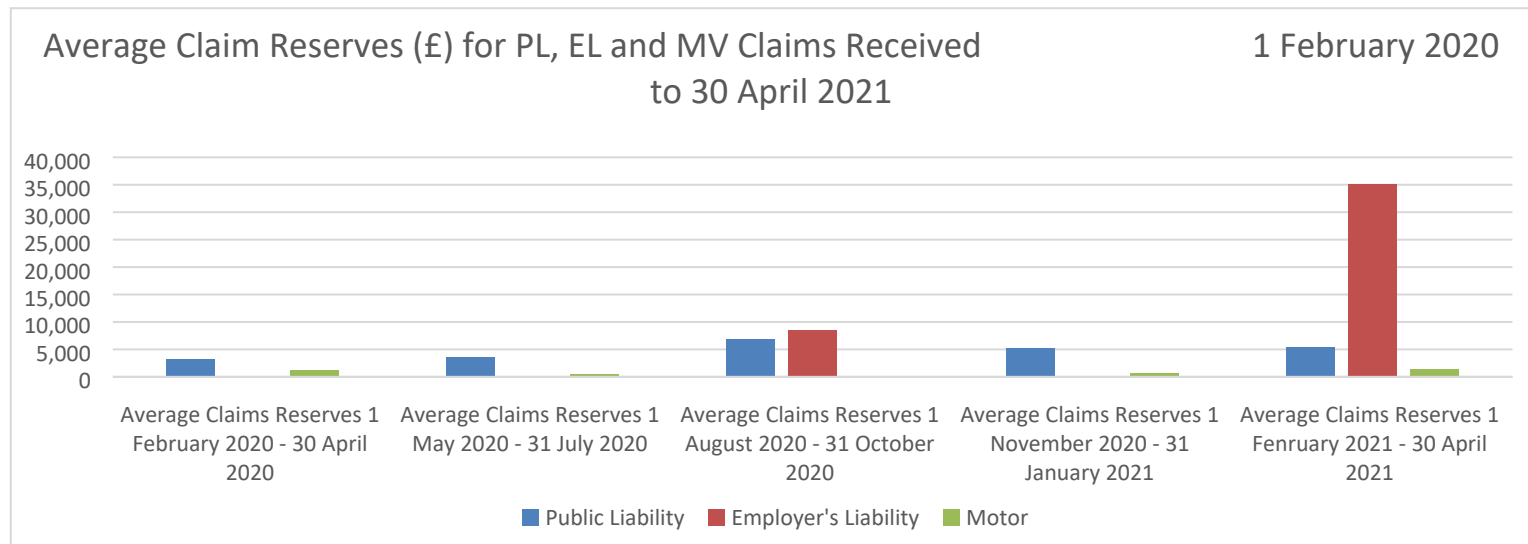
Claim reserves are allocated by the insurers and/or claims handlers independent of the Council and are determined by the type of injury sustained by the third parties and/or damage occasioned to their property.

Despite an increase in Public Liability claims numbers between the third and fifth quarter, reserves have increased by less than 1%, which in the main, is reflected in the type of injury and/or damage sustained by third parties. This is compounded between the first and last quarter where, although there was a decrease of 32% in claims numbers, an increase of 18% can be seen in claims reserves allocated.

Although Employer’s Liability claims were only received in quarters 3 and 5, there has been an increase of 107% in the claim’s reserves between these two periods. Although, if the Council is found to be negligent following investigation of claims, attempts are always made at settling claims as low as possible, the reserves are determined by the type and complexity of injury sustained.

Despite a decrease in Motor claims numbers in the final quarter, reserves for such have increased by 13%. There have been three claims of note where reserves have been set high – one for own damage and a further two involving third parties where investigations are still underway. At the end of the reporting period however, claims reserves are set at 28% lower than the start of the period.

**The chart below outlines the average value of the reserves for PL, EL and MV claims received for the period 1 February 2020 to 30 April 2021.**



Public Liability average claims reserves have fluctuated over the overall period which is due to the nature of the claims and severity of injury and/or damage suffered by third parties. Quarter 3 saw the highest average claims reserve and although there has been a decrease of 20%, the final quarter has seen an increase of 75% from quarter 1, despite the 32% decrease seen in claims numbers.

The low number of Employer's Liability claims has yielded an average value of £14k for each claim received for the overall reporting period. There is no cause for concern in this area.

Motor average claim reserves have also fluctuated over the overall period, ending with an increase of 20% from quarter 1 to quarter 5, although this can be explained in the narrative for the three large claims in the previous chart.

Trends in claims performance will continue to be monitored.

### 5.3 Developments

- The Team are currently heavily involved in preparing for the upcoming renewal of insurances for the Council and its associated subsidiary companies of Sefton New Directions and Sandway Homes. Collaboration is underway with all service areas to ensure that Insurers are provided with details of all current and future (where known) risks and exposures. This will allow Insurers to present their views on cover, rates and premiums prior to the renewal date of 29 September 2021. It is hoped that initial indications will shortly be available, however the ultimate outcome of renewal negotiations will be presented in a future update. The current insurance market remains challenging with insurers focused on technical pricing to ensure profitability over market share with varying appetites for risks which is leading to limited cover being available on some policy cover such as Directors and Officers.
- Preparation of communication to the Vehicle & Fleet Maintenance Section and all service areas with regard to the introduction of the Ministry of Justice Whiplash Reforms is currently underway. The Reforms, which apply to claims received on or after 31 May 2021, are part of the Civil Liability Act 2018 and have been designed by the Government to crack down on whiplash claims costs and lower motor insurance premiums. Timeframes for evidence-gathering and determining liability will be much tighter and, as part of the process, if not responded to within the required timeframe, liability will be deemed as admitted by default. Fortunately, at present, this type of claim forms the minority of claims within the Council's experience, however any effect from the introduction of the Reforms will be monitored and reported appropriately.
- The Team continue to work with service areas to improve the management of insurable risk in general (especially where there are high numbers of claims) which in turn should assist in maintaining defensibility of any claims received. Discussions are continuing with the Highways Team regarding changes required within their safety inspection systems to adopt a risk-based approach and comply with the requirements of the Highways Code of Practice 2018.

- As the Council continues to change and commercialism develops, discussions will continue with the Insurance Broker to ensure that all new risks/liabilities to the Council are identified, and, where appropriate, relevant insurance cover is sourced and procured. As an example of this, liaising with ICT colleagues, proposal forms are currently being completed to enable quotes to be sought for a review of the appetite to procure Cyber insurance cover.
- In consultation with Health & Safety colleagues, consideration will be given to making use of the remaining allocation of free of charge Risk Management Days available as part of the current liability insurance contract. In the past, these have been utilised to provide service areas with training or advice for their specific roles.

## 6. Risk and Resilience: Performance Update

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### 6.1 Work Completed

The team have considered developments across the key areas of Business Continuity, Emergency Planning and Risk Management and an improvement plan has been produced for 2021/22.

In April 2021 the Council responded to the passing of the Duke of Edinburgh In line with expectations of Merseyside Lieutenancy's office and neighbouring local authorities, the Risk and Resilience Team supported the response for Sefton Council. The team ensured approved protocols were adhered to and Sefton residents were given opportunity to pay their respects.



The team were involved with reviewing plans for the Grand National event in Aintree. This was a scaled down event as attendance was limited to race officials and owners, but consideration needed to be given to local impacts of the event within the borough.

The Business Continuity and Emergency Planning Cell, as part of the Council's Covid-19 response, continues to meet each month, chaired by a member of the Risk and Resilience team. The cell was established to provide effective oversight of Business Continuity activity ensuring that priority activities and outputs continued to be delivered. Cell members discuss significant changes within their Service Areas as well as issues which require escalation to Heads of Service for consideration.

Monitoring and review of Business Continuity plans from each Service area continues to be delivered by the team. As part of the regular review, each plan is being revised to incorporate details of key IT systems used within the service, further identifying the timescales within which these systems need to be restored and the minimum number of staff requiring access. This is in recognition of the significant reliance we have on IT and the considerable changes we have experienced since the plans were initially produced. We are towards the end of this programme of activity and considering next steps which will involve facilitation of testing and exercising the plans during the remainder of the current financial year.

The team is currently reviewing the roles of the Crisis Response Team volunteers and loggists to ensure that there is on-going awareness and training opportunities are made available.

The Corporate Risk Register has been reviewed and is due to be presented to the Audit and Governance Committee for approval. An alternative, enhanced method of updating the register has been introduced to ensure improved visibility and engagement in the process is achieved. Meetings with risk owners continue to be held virtually to ensure ongoing improvement to risk management arrangements across the Council.

## **Developments**

- Major incident plans and processes will continue to be reviewed and associated risk assessment of operational activities documented to ensure safe working for members of the team and colleagues, partners and stakeholders.
- The team are working to develop a proposal for the development of the Council's Risk Appetite which will help to inform decisions from a number of perspectives.
- The team continue to facilitate review of Business Continuity plans for each service area which will, in turn, support an update of Sefton's Corporate Business Continuity plan.

## 7. Assurance and Counter Fraud: Performance Update

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### 7.1 Work Completed

In response to COVID-19, the Government is continuing to provide support for many businesses in the form of business grants through to 2021. Guidance provided by the Government in 2020 set out the role of Local Authorities in providing assurance to both themselves and to the Department for Business, Energy and Industrial Strategy (BEIS) to minimise the risk of error and fraud. To deliver this requirement, and as part of an assurance plan, Internal Audit and the Assurance Manager have been supporting the service areas in the development and implementation of post-payment assurance checking regimes, which were informed by fraud risk assessments undertaken for each of the business grant schemes, detailing the likelihood of fraud and error.

The Government's Grant Management Function and Counter Fraud Function has made their digital assurance tool, Spotlight, available to Local Authorities to support the administration of COVID-19 emergency grants. Spotlight has a number of key features namely processing initial due diligence checks, using data from Companies House and the Charity Commission, government grant awards and contracts, to help build a picture of the grant recipient and used as part of the post payment assurance programme. Spotlight has been utilised by the Council to investigate all payments made over the last twelve months under the Small Business Grant Fund, the Retail, Hospitality and Leisure Grants Fund and Local Authority Discretionary Fund Grants Fund.

In November 2020, Sefton's Council Tax and Electoral Register data was submitted to the National Fraud Initiative (NFI) as part of an official annual data matching exercise to check sole occupier discount entitlement where there is information to suggest there may be more than one person in the household. NFI matches were made available immediately after the upload of both datasets and any discrepancies investigated.

### 7.2 Developments

Fraudsters will seek to exploit the uncertainty created by major and unexpected events, the current COVID-19 issue is no exception. Regular COVID-19 intelligence bulletins are being received from CIFAS, a not-for-profit fraud prevention

membership organisation, which give an insight into the latest phishing techniques, cyber-enabled threats, internal risks and other fraud threats identified by the CIFAS Intelligence team.

Their bulletins are designed to help protect, prevent, mitigate and anticipate the key fraud threats that could target the Council, our residents, businesses and employees. These updates are available on the Sefton intranet <http://intranet.smbc.loc/our-council/data-protection-information-handling/covid-intelligence-bulletins.aspx>

The Assurance Team continues to provide assistance with the Council's response to the pandemic and is currently deployed to support the Council's Economic & Regeneration team (Invest Sefton) in the delivery of the Discretionary Business grant schemes. Whilst the work originally programmed for the Assurance team in 2020-21 has been significantly impacted by the shifted priorities of supporting the administration and delivery of Business Support grants, arrangements are now in place for the team to regain lost ground from 1 July 2021 to undertake the Assurance work plan, to include key risk areas and provide some extra capacity to Internal Audit, Emergency Planning, Business Continuity and the Health and Safety.

The Assurance Manager has recently provided assurance to Invest Sefton on the delivery of the Liverpool City Region (LCR) Care Providers Grant scheme in Sefton which ran from 11 May 2021 until 18 May 2021. The Covid-19 pandemic has had a significant impact on the Liverpool City Region's registered childcare and care home businesses including a fall in demand alongside an increase in cost to manage within a Covid safe environment. Grant support was specifically aimed at: -

- Registered Childminders
- Registered Out of School Clubs
- Registered Nursery / pre-school provision
- Registered Care Homes (Adults)

As a direct response to the challenges these businesses are facing the LCR Care Grant was created by the Liverpool City Region Combined Authority. The grant has been administered by each of the six local authorities that form the Combined Authority, namely Halton, Knowsley, Liverpool, Sefton, St Helens and Wirral.

As part of the Counter Fraud strategy, Heads of Service nominated Fraud Risk Owners for their individual service areas. The Council's Fraud Risk Owners have now completed fraud risk assessments for current and any new activities and submitted to the Assurance Manager for review. The risk assessment process documents roles and responsibilities for managing the fraud risks within the organisation.

The Council's Counter Fraud Strategy is currently being finalised and will be consulted on with the Strategic Leadership Board in July 2021. As part of the Counter Fraud Strategy the Council has reviewed its arrangements against the latest Fighting Fraud and Corruption Locally (FFCL) Strategy (2020) which is the Local Government blueprint for tackling fraud in Local Government.

The previous FFCL strategy focused upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were 'acknowledge', 'prevent' and 'pursue'. These pillars are still applicable. However, another two areas of activity have emerged that underpin tenets of those pillars. These are 'govern' and 'protect'. The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies. The second new area that has appeared during the FFCL research recognises the increased risk of harm that fraud has on its victims and protecting the community, placing an additional responsibility on the Council to protect its residents from fraud.

Business Support Grants and Business Rates datasets were mandated as part of The Cabinet Office's 2020/21 National Fraud Initiative (NFI) Work Programme data matching exercise in order to identify potential fraud. Sefton Council's Grant recipient datasets for the Small Business Grant Fund, the Retail, Hospitality and Leisure Grants Fund and Local Authority Discretionary Fund Grants Fund data were submitted in January 2021. The results of the data matching were released to the Council on Friday 14 May 2021 and the Council will be following up the data matches between now and 31 December 2021.

Data matching is undertaken based on established NFI methodologies to identify potential fraud in relation to:

- multiple grants paid to businesses within or between LA's.
- duplication between grant schemes where relevant; and
- payments made to business or individuals flagged in proven fraud 'watchlist' data, where available.

Joint audit/fraud work is being undertaken on samples of COVID-19 related payments and expenditure including the accuracy and integrity of spend and considering inherent fraud risks nationally associated with COVID-19 related payments, support and reliefs. Tangible benefits delivered by this approach have resulted in identifying some issues and highlighted the benefits of data sharing across service teams in order to deter fraudulent grant applications.

For Business Grant Fraud the Government has provided debt recovery guidance to Local Authorities in September 2020. There are three types of ineligible payments: error, non-compliance and fraud.

If reclaiming funds is not possible the debts are to be referred to the BEIS to establish the next steps and ultimately determine whether the Local Authority will be held accountable for the debt. All identified fraud regardless of whether it is local, cross boundary or organised will be referred to Action Fraud via the website [www.actionfraud.police.uk](http://www.actionfraud.police.uk)

Assurance on all the various national and local business grant schemes being administered by the Council, including Fraud Risk Assessments, Post Payment Assurance Plans, NFI Data Matching exercises, and the Grants Debt Recovery programme will continue to be provided by the Assurance Manager, linking into the formal audit work programme.

An attempted fraud for COVID-19 grant funding for multiple businesses at one address in Sefton under the Liverpool City Region Grant Scheme has been prevented due to the tight controls in place. All the applications showed strong indication of fabricated information and did not meet the audit thresholds so were rejected without offering any option of appeal.

The Council continues to participate in the Merseyside Regional Fraud Group to jointly develop and share best practice in Counter Fraud through a number of approaches, including information and knowledge sharing, policy and procedure development and joint working where appropriate.

An investigation conducted by the Local Government Ombudsman (LGO) about a decision on a discretionary COVID-19 grant for a Sefton business was upheld in Sefton's favour. The complainant said that the Council had not followed Government guidance and had failed to exercise any discretion causing her business significant financial loss. However, the LGO found no evidence of fault in the Council's decision-making process.

## 8. Looking Ahead

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8.1 The Service continues to develop, with a number of key projects being undertaken to embed the role and influence of the team over the next quarter:

- The embedding of regular risk management review across the Council to ensure that Operational and Service Risk Registers are updated on a regular basis.
- Define a draft risk management statement on appetite to be shared with Strategic Leadership Board.
- Continued delivery of the Internal Audit Plans for 2021/22, focusing attention on reviewing the key risks to the organisation, which will evolve as the Council changes particularly in light of Covid-19.
- Building up Business Continuity Plans at Service level and the starting of limited testing of existing business continuity plans.
- Delivery of the final Health and Safety Risk Assessment Training sessions for Managers and designing a health and safety training needs assessment.
- Developing the Council's Counter Fraud approach firstly through rolling out the actions from the CIPFA Fraud Risk Assessment.
- Delivering on the service improvement plans for the Risk and Audit Team.

## 9. Conclusions

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- 9.1 Internal Audit has made promising progress in the completion of the Internal Audit Plan 2020/21. Performance in respect of the agreement of recommendations and the feedback from clients has been particularly positive and reflects the value added by the Service.
- 9.2 The Council's accident record continues to be positive and there are plans to improve the risk management further by working with colleagues across the organisation.
- 9.3 The Health and Safety team has been responding to the significant impact of Covid-19 helping to ensure that management put appropriate risk assessments are in place and provide guidance and support to colleagues as well as supporting the SMART and Surge Testing. There is ongoing work on the School Inspection regime as well as assisting the development of post Covid Agile working.
- 9.4 The Council's insurance claims performance remains good.
- 9.5 Further work is planned to improve risk management within the Council by ensuring that a risk appetite is developed and ensuring that there is an risk registers are in place in line with the Corporate Risk Management Handbook. framework.
- 9.6 Progress has been made in embedding business continuity with a clear road map for the completion of the outstanding business continuity plans shortly and a focus over the remainder of the financial year at testing and exercising the BC plans.
- 9.7 There are clear implementation plans in place across each of the service areas to deliver improvements which will result in improved services as well as an integrated risk and audit approach.

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# Agenda Item 8a

<b>Report to:</b>	Audit and Governance Committee	<b>Date of Meeting:</b>	Wednesday 23 June 2021
<b>Subject:</b>	Bootle New Strand and Surrounding Area		
<b>Report of:</b>	Executive Director of Corporate Resources and Customer Services	<b>Wards Affected:</b>	(All Wards);
<b>Portfolio:</b>	Regulatory, Compliance and Corporate Services		
<b>Is this a Key Decision:</b>	No	<b>Included in Forward Plan:</b> No	No
<b>Exempt / Confidential Report:</b>	No		

## Summary:

To consider a report submitted by Councillor Sir Ron Watson for consideration by the Audit and Governance Committee in accordance with Rules 115 and 116 at Chapter 4 of the Constitution and the new Terms of Reference for the Audit and Governance Committee approved at the Adjourned Annual Council on 20 May 2021, namely:

“ 5. To consider the Council’s arrangements to secure value for money and review assurances and assessment on the effectiveness of these arrangements”.

Councillor Watson’s report is at Appendix 2 of this report.

Councillor Watson also requested that consideration be given to his covering email as detailed in Appendix 1.

## Recommendation:

The Audit and Governance Committee is requested to note the report and consider what action, if any, should now be taken.

## Reasons for the Recommendation:

Councillor Watson has requested that his report be considered by Audit and Governance Committee.

## Alternative Options Considered and Rejected: (including any Risk Implications)

Not applicable

# Agenda Item 8a

## What will it cost and how will it be financed?

### (A) Revenue Costs

N/A

### (B) Capital Costs

N/A

## Implications of the Proposals:

<b>Resource Implications (Financial, IT, Staffing and Assets):</b>	
N/A	
<b>Legal Implications:</b>	
N/A	
<b>Equality Implications:</b>	
There are no equality implications	
<b>Climate Emergency Implications:</b>	
The recommendations within this report will	
Have a positive impact	N
Have a neutral impact	Y
Have a negative impact	N
The Author has undertaken the Climate Emergency training for report authors	Y

## Contribution to the Council's Core Purpose:

Protect the most vulnerable: Not applicable
Facilitate confident and resilient communities: Not applicable
Commission, broker and provide core services: Not applicable
Place – leadership and influencer: Not applicable
Drivers of change and reform: Not applicable
Facilitate sustainable economic prosperity: Not applicable
Greater income for social investment: Not applicable
Cleaner Greener: Not applicable

## What consultations have taken place on the proposals and when?

### (A) Internal Consultations

The Executive Director of Corporate Resources and Customer Services (FD.6427/21) and the Chief Legal and Democratic Officer (LD.4628/21) have been consulted and any comments have been incorporated into the report.

### (B) External Consultations

Not applicable

### Implementation Date for the Decision

Immediately following the Committee meeting.

<b>Contact Officer:</b>	Ruth Appleby
Telephone Number:	Tel: 0151 934 2181
Email Address:	ruth.appleby@sefton.gov.uk

### Appendices:

The following appendices are attached to this report:

Appendix 1 – Contents of a covering Email from Councillor Watson

Appendix 2 – Report prepared by Councillor Sir Ron Watson: 'Bootle Strand and Surrounding Area'

### Background Papers:

There are no background papers available for inspection.

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## Appendix 1

Contents of a covering email sent by Councillor Sir Ron Watson on 8 June 2021, in respect of his submission of a report for consideration by Audit and Governance Committee on Bootle New Strand and Surrounding Area.

### **Request for items to be included on the Agenda**

With reference to the prior notification I have given to have the situation in respect of the Bootle New Strand placed on the Agenda I can now confirm that the report I submitted to be considered under the provisions that exist for Elected Members to have items placed on the Cabinet Agenda is to be included in my current request for Audit & Governance.

Whilst the information contained in this document remains relevant I submit the following as an addition for the benefit of Members.

“Many Members may not be particularly familiar with the provisions that exist within the Council’s Constitution for Members to have items placed on the Agenda of the Cabinet.

This process also allows the Member concerned to attend the Cabinet Meeting to explain in person the policy issues to be considered but the Member is not allowed to vote.

In addition, the Member has to submit their own report as part of the Agenda Item.

I followed this procedure to the letter and made two formal requests but there is also a provision that allows the Leader of the Council to veto the Item if he/she chooses to do so even if all the criteria laid down in the Constitution have been met.

The Leader of the Council has exercised this veto on both occasions.

The matter however is of critical importance to the Audit & Governance Committee and it is a critical part of their role to ensure that they have all the relevant information to enable them to come to a view based on the facts presented to them.

Much of the information relating to The Strand has been denied to all Members but particularly Audit & Governance and this places both the Chairman and all Members in a very invidious position.

Since my initial report was prepared there have been further developments which make it even more important that Members know the situation in full.

As a Member of Audit & Governance any Member can have an item included on the Agenda and providing the procedure is followed this cannot be vetoed.

In addition to the information in the initial report I want to draw Councillors attention to the following matters that have become apparent and where they may feel they wish to have an input.

**A.** The initial financial position of The Strand indicated that it had produced a revenue surplus of £1m.

# Agenda Item 8a

## Appendix 1

This figure was used over a two year period at £500k per year to relieve pressure on the revenue budget and in itself now means that there needs to be at least a 1% council tax increase as before the Covid situation developed the figures indicated that The Strand had made a surplus of £30k but was on a weekly downward financial spiral.

**B.** I have asked that for this meeting the Executive Director of Corporate Services brings us up to date on the total revenue loss that has now been accumulated by The Strand.

**C.** As part of what is described as an overall concept for the area the Council submitted to itself a planning application which in turn was rejected by the Planning Committee.

This application included a number of potential revenue generating activities involving other aspects of the public sector that had originally been part of preliminary proposals for the main Strand complex.

We have received no further details as to how what appears to be a contradiction in terms between two aspects of the Council's responsibilities can be met.

**D.** There will be no national tax payer assistance via the Government to assist with the financial situation at The Strand as this was purely a locally determined decision.

**E.** There has been no recent assessment of the capital value of The Strand which will have deteriorated and Members need to know an estimate of its current market value as opposed to the original purchase price upon which there is an ongoing commitment to fund the PWLB interest charges.

My contention is that Audit & Governance must have a role to play in this issue because of their statutory responsibilities and the purpose of submitting this report is to seek the views of Members and Officers on what action could be taken in the future.

Any recommendations that are forthcoming should be referred back to the Cabinet and a joint meeting arranged of both Bodies to try and agree a sensible way forward that seeks to balance the undoubted severe financial burden of The Strand with the understandable desire to at least maintain some element of viable retail in the area.

A majority of Members have now indicated that they accept that The Strand represents a continuing financial burden on council tax payers as opposed to the original aim of it being revenue generating but as this is a fundamental change of policy the public would benefit from a greater understanding as to how this change can be met and on what terms and conditions.

I hope these details will provide Members with the background to enable them to consider the issues openly in the manner I have indicated."

Kind regards,

Councillor Sir Ron Watson

### **Audit and Governance Committee**

**23 June 2021**

**Report prepared by:** Cllr Sir Ron Watson CBE, Dukes Ward Member

**Subject Matter:** Bootle New Strand and Surrounding Area

I have previously submitted a formal application to have this matter raised under Section 82 of the Cabinet Constitution.

This request was made on a formal basis on 2 July 2020.

This formal request was rejected by the Chairman of the Cabinet and the Leader of the Council, Councillor Ian Maher.

His justification for refusal was based on the fact that he considered it to be “premature”.

Whilst I clearly did not agree with that decision on the basis that there were issues to be addressed at that time it is now clear following on from a recent press release that there have been a significant range of negotiations and decisions taken without any involvement of Elected Members as a corporate body.

The decisions that have been taken and their justification first came to the attention of Elected Members via a press release dated 14 August 2020.

At the very least Elected Members should have had a minimum of 48 hours advance notice of the information in this press release if only as a matter of courtesy with an addition on a practical level as it would have been clear that a number of them would be invited by the press and media to make comment.

The original decision by the Council to borrow some £32m to purchase The Strand was controversial at the time and subsequent events excluding the impact of Covid-19 have heightened the concerns that many Members have expressed.

At the outset the fact that no private sector company or organisation was prepared to contemplate taking on The Strand was an indication that people who are expert in this field clearly recognised that it was a loss-making development and was not viable in any normal commercial sense.

There has been further concern with the capital re-evaluation of the complex and the Council is now in a position where the public have an outstanding debt of £32m on a complex that is now considered to be worth £21.4m.

The whole scheme therefore is clearly in what is normally referred to as ‘negative equity with annual interest payments being made on the original amount borrowed that

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## Appendix 2

are far in excess of what the amount would have been if the current and more realistic valuation had applied at the time of purchase.

The claim has consistently been made that The Strand was generating an income to the Council of £1m per annum.

This figure is grossly misleading and whilst there were some financial benefits they were clearly of a temporary and one-off nature.

In addition many Elected Members from all Parties have expressed their concern that it has not been possible to ascertain what the amount was spent on and whether or not it was factored in as an ongoing sum.

There have been attempts to have any specific Council areas of service that have benefitted identified but these attempts have not been successful and Members have been left with generalised statements that the amount has been used for general commitments.

In addition the budget that has been approved for 2020/21 and approved by the Full Council clearly indicates that there is no financial contribution to be anticipated from The Strand in the current year.

A preliminary look at the situation towards the end of the last financial year clearly showed that The Strand's revenue situation was deteriorating month by month and there were also additional concerns over elements of repairs and maintenance.

Once again it is important to stress that none of these factors bear any relationship at all to any subsequent deterioration that has taken place because of Covid-19.

The press release issued by the Council with a comment by the Leader of the Council was imprecise and raises the following questions:-

1. Who agreed the purchase of the sites surrounding The Strand?
2. What purchase price has been agreed and were they independently assessed?
3. What are the annual repayment costs?
4. What is meant by the word 'meanwhile' uses of the area?
5. What are the proposals and annual revenue costs to be borne by all Sefton Council tax payers?
6. What enquiries have been made of the private sector in respect of retail development?
7. Has there been an independent review of the proposals and is there is a report available?



## Appendix 2

8. In the event of a review not having taken place how can Elected Members come to an informed judgement about the validity of the proposals?
9. What elements of a 'consultation' process will involve spelling out to all Sefton Council tax payers the financial consequences of any proposals adopted?

Whilst Members will clearly be seeking definitive and none ambiguous answers to these questions in the intervening period I would maintain that it will be undemocratic and irresponsible to proceed any further where there are so many issues that have not been addressed and where there is a clear factual void.

I hope that Cabinet Members led by the Leader of the Council will feel that the time has come for there to be a much more open and transparent assessment of The Strand and that no further financial commitments should be entered into until such time as a detailed response to the issues raised have been addressed to the satisfaction of Elected Members who have a corporate responsibility of justifying any decisions to the council tax payer in Sefton.

There is a further element to this position in the sense that the Council whilst having received over £20m of additional funding from the national tax payer via the Government along with many other Local Authorities they will maintain that in itself the amount has not been sufficient to cover the various losses and costs that refer to Covid-19.

In order to make the best case possible it would be essential for Sefton Council to be able to demonstrate that they have acted in an inclusive manner that has in turn enabled all Elected Members to come to a factually based view on The Strand.

In the event of this criteria being met it would in itself strengthen any application for additional financial help on a national basis.

I express the hope that Cabinet Members will feel that they are in a position to consider carefully on a pragmatic and non-political basis the points made in this report and to take the appropriate action on behalf of all council tax payers in the borough.

**Councillor Sir Ron Watson CBE**

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